

Treasury Committee

Oral evidence: The work of the National Infrastructure Commission, HC 476

Tuesday 7 November 2017

Ordered by the House of Commons to be published on 7 November 2017.

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Members present: Nicky Morgan (Chair); Stewart Hosie; Kit Malthouse; Catherine McKinnell; Wes Streeting.

Questions 1 - 110

Witnesses

I: The Rt Hon. the Lord Adonis, Chair, National Infrastructure Commission; Sir John Armitt, Deputy Chair, National Infrastructure Commission; Phil Graham, Chief Executive, National Infrastructure Commission.

Examination of witnesses

Witnesses: Lord Adonis, Sir John Armitt and Phil Graham.

Q1 Chair: Good morning, and thank you very much indeed for being here. This is the first time that the Treasury Select Committee has looked at the work and the role of the National Infrastructure Commission, so this is a departure for us, too. Before we get started, perhaps I could ask you all to introduce yourselves and your responsibilities at the NIC.

Lord Adonis: Good morning, Chair. I am Andrew Adonis, and I am the chair of the National Infrastructure Commission.

Sir John Armitt: I am John Armitt, deputy chair.

Phil Graham: I am Phil Graham. I am the chief executive. I run the permanent team supporting the members of the commission.

Q2 Chair: Thank you very much indeed, as I say. I wanted to start, really, with the independence of the NIC. Lord Adonis, in May 2016, you said that you strongly welcomed “the Government’s announcement that it will make the National Infrastructure Commission statutory and independent”. Since then, obviously, the NIC has been established as an executive agency of the Treasury, which is the reason why this Committee has a particular role and remit. Perhaps we will start with you, Lord Adonis, but others are very welcome to chip in, of course. I wonder if you can tell us on what basis it was decided that the NIC would be established as an agency of the Treasury, rather than given a statutory footing.

Lord Adonis: When the Chancellor changed, the new Chancellor decided that he did not want to proceed with legislation, because he thought that would take a good deal of time for us to get up and running. He wanted us to be fully functioning more quickly than was previously envisaged. We had a discussion, and agreed that we would be perfectly content to become an executive agency, provided we had a memorandum of understanding that made it clear that our independence would be safeguarded, and by “independence” I mean two things: first, our ability to publish our views without any interference from the Treasury at all, which we took to be absolutely vital; and secondly our ability to organise our own work programme without any interference from the Treasury either.

Both of those are safeguarded. All our reports are published and presented to Parliament without any intervention by the Treasury, and we determine our own work programme. Those two things being guaranteed, our view was that it did not make a big difference whether we were statutorily independent or not. Of course, it does mean that we could be abolished much more quickly, but from my experience of these things it is perfectly possible to ignore statutory bodies as much as non-statutory ones. I have always taken the view that the test of our work will be the



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quality of our work. If our work is of sufficiently high quality, it will command attention—including, I hope, from Parliament—irrespective of whether we are statutory or not.

Phil Graham: That is exactly right. I would make a couple of additional points. If we were proceeding with the legislative option, we would still be a long way, even now, from having firm certainty about our remit, the way in which we were to operate and whether the legislation would be passed in the way intended, whereas, now, we know exactly how we are working and we are focused on delivering the programme of studies and the national infrastructure assessment.

Secondly, there is the document that Andrew referred to as a memorandum of understanding. It was ultimately called the *Charter for the National Infrastructure Commission*. I could not put my hand on my heart and say it is unique; there are an awful lot of executive agencies, and I have not checked every single one of them. But it is certainly very unusual, and I suspect it is unique, for an executive agency to have a document published by the Government saying that, so long as it works within the remit set by the Government, in all other respects, it has complete discretion to determine independently its work programme, methodologies and recommendations, as well as the content of its reports and public statements. Having that in public now, rather than having that under discussion by Parliament, is quite a big step forward for us.

Q3 **Chair:** Lord Adonis, as you said, given the way it has been set up, there is nothing to stop a future Government, for political reasons, getting rid of the National Infrastructure Commission.

Lord Adonis: It would be perfectly possible. We have been going for two years, and we have produced a number of reports and the draft national infrastructure assessment, which have commanded wide attention and broad support. I hope that, if we can continue work of this standard, a future Government will not abolish us.

It is very notable that all the political parties have supported our work. All three of the major parties, the Scottish National Party in Scotland and the Scottish Government have strongly supported what we have been doing. I have personally met with all the relevant Ministers, including in the Scottish Government and in the Welsh Government, and I do not detect any view that we would be better off without the NIC at the moment. How much better off we will be with it, we need to prove over the coming years, but we are doing our best.

Q4 **Chair:** If it had been set up as a statutory body, would it have been possible for the Government to remove Lord Heseltine as a commissioner in the way that they did?

Lord Adonis: No.

Q5 **Chair:** No. That is what I thought. I suppose the question is what that says about the independence of the NIC. We are going to come on to,



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and look at, the work of the commission.

Lord Adonis: Can I first of all say that I hugely regret the departure of Lord Heseltine? He made a great contribution to our work. He is one of the greatest infrastructure planners in the history of this country. Anyone who visits Docklands and looks at what has happened to the city of Liverpool will be in awe of the work of Lord Heseltine, but I should say that he agreed to stand down. He might have agreed to stand down if we were a statutory agency, too.

Q6 **Chair:** Presumably, a request asking for his resignation was received from the Government to you, as the chair, or to the chief executive.

Lord Adonis: Actually, I think it was handled directly by him.

Phil Graham: It was.

Lord Adonis: The only point I would make—because this was clearly a very delicate situation—is that he took the view that, if his services were not valued by the Government, there were many other ways in which he could make a public contribution. I am not sure that it would have affected the issue, whether it had been statutory or non-statutory, given the political circumstances.

Kit Malthouse: He was going to huff off.

Q7 **Chair:** Relevant to that, could any of you, or any of your fellow commissioners, also be asked to go by the Government of the day?

Lord Adonis: As I say, the situation with Lord Heseltine was highly unusual, and he agreed to go. To be absolutely frank, if a member of my commission or I was dismissed by the Government, I do not think that the National Infrastructure Commission would have a future. We could hardly be independent if the Government dismissed members because they did not agree with what they do. However, that has not happened, and, in the instance of Lord Heseltine, that principle was not actually tested, because he himself stood down.

Q8 **Chair:** I suppose the point I am trying to get to is that, in theory, it could happen.

Lord Adonis: It could happen.

Q9 **Chair:** That could then jeopardise the independence and ability to challenge government infrastructure policy positions.

Lord Adonis: Yes, it could do. If it were to do that, that would basically be a statement on the part of the Government that they no longer believed in independent advice in respect of infrastructure. That would be a very regrettable statement, but that would be what was happening. There would be a much, much bigger issue than them interfering in the appointment or continuation of one or more members.

Q10 **Chair:** Perhaps moving to look at this more broadly, does the fact that



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the commission has been set up to provide that independent, longer-term thinking and challenge to the Government on infrastructure suggest to you that there has perhaps been too much short-term thinking and politicisation of infrastructure? I know, Sir John, you have worked in this field for many, many years. Has there been too much short-term thinking and politicisation of infrastructure for too long?

Sir John Armitt: There are two issues there: one is short-term thinking, and the other is politicisation. My view is very clear: fundamentally, you do not get infrastructure of any significance without politics. You are naïve if you think that you are going to deliver significant infrastructure without political consensus and political support. Now, that can sit alongside either short-term or long-term thinking. The primary objective of the commission has been to develop long-term analysis and recommendations for politicians to make, hopefully, sensible judgments against, recognising that, whether we like it or not, political considerations will always be taken into account.

Lord Adonis: When I became Secretary of State for Transport in 2009, the forward railway investment plan for the Department for Transport, and therefore for the Government, went out five years. Now, you cannot plan any significant railway infrastructure on the basis of just five years. The roads programme went out for an even shorter period of time, and of course, after the 2010 election, that was drastically cut back.

I am glad to say that the Government have made a very big change since then, setting up the Highways Agency on par, essentially, with Network Rail as a freestanding entity. I took the view then, and I take the view now, that national infrastructure planning needs a 20 to 30-year time horizon. That is not to say that you do not change your view in those 20 to 30 years. It is like having a satnav; you are constantly having to update it. But, unless we have some idea where we are going in terms of state-of-the-art digital and transport connections between our major cities, energy-generating capacity over the next generation and all these things, planning falls by the wayside and we get suboptimal outcomes. That is a big challenge for our Commission.

I do not think we are always going to get it right. I suspect we are going to have to eat our words a lot over the following years, but it is much better to have somebody who is making an effort to see ahead 20 to 30 years than pretending that the medium to long term does not exist at all and going hand to mouth.

Q11 **Chair:** In terms of that long-term thinking, which I would agree is required, and the appointments of you and the commissioners, are you there for a long time? How long is your appointment? That is to all of you.

Lord Adonis: We were appointed for five years. I would dearly like to have been appointed for life like Members of the House of Lords, but I



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could not persuade the Government that this was a good idea. One life institution, they thought, was enough.

It is not clear what would be the optimum period, because you need turnover as well. It is important to have people with fresh experience, and so on. Five years is the life of a Parliament, and our remit is to produce a national infrastructure plan every Parliament. We should have members who are committed for at least five years. If we do five years, I will have done seven, because we started two years ago. That is reasonable long-termism. Since the Second World War, there has been an average of one Transport Secretary every 18 months. I should add that I lasted 11 months. Some have lasted even less: my predecessor lasted nine months. Five years is not bad by political standards.

Q12 **Chair:** Sir John, when you were appointed, how long were you expecting to be in the role?

Sir John Armitt: As Andrew said, we were both appointed at the same time on a provisional basis, which lasted for 18 months or so, and then appointed by contract for a five-year period. Personally, I have always been in favour of trying to differentiate or separate the commission from the political cycle. Yes, we have to do this review every five years, which gives each incoming Government the possibility to reset the dial and say, "Well, now I would like you to look at this, rather than that", and so on. But not having a distinct cut-off that relates to the political cycle is preferable.

As Andrew says, we do not want everybody to disappear out of the door at the end of five years. Hopefully, there will be a staged changing of the guard, which means that some people could do seven, eight or maybe even 10 years, and others will just do the five. The individuals themselves may be in a position where they say, "Sorry, time is up. I do not have the ability to carry on for longer".

Q13 **Chair:** Mr Graham, how about you, when you were appointed?

Phil Graham: I am not appointed. I was employed on the back of a job interview, and I was given the job. How long that will be for depends, inevitably, on my relationship with the chair and others.

Q14 **Chair:** Are you still part of the Civil Service?

Phil Graham: I am still part of the Civil Service.

Q15 **Chair:** Could you be moved to another role somewhere else?

Phil Graham: I could be, but, although it is still a Civil Service role, it is an appointment by the Chancellor with the approval of the chair of the commission, so there would need to be some quite serious negotiation for that to happen. The staff working for the National Infrastructure Commission are all civil servants. That was one of the changes that came about as a result of the switch from an NDPB to an executive agency.



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That said, we are trying to build a team whose background, knowledge and experience are not simply Civil Service experience. We have people on secondment from industry and from regulators. We have appointed people to the team from similar backgrounds and from local government, so it is not simply a team of career Whitehall civil servants. It has a broader range, but, in terms of our employment status, those of us who are employed by the commission are civil servants.

Lord Adonis: Mr Graham was secretary of Sir Howard Davies' Airports Commission, so he has great experience of independence, because that was essentially the prototype of an independent infrastructure commission making recommendations in respect of Heathrow. That expertise has been of huge value to us as we have got ourselves established.

Q16 **Chair:** How many staff do you have at the commission?

Phil Graham: As of yesterday, we have 41. We were on 40; we had one new starter yesterday, who is sat in the seats behind us, finding out what she has let herself in for.

Q17 **Chair:** Welcome to her. The question we are asking all bodies that appear in front of us—you may or may not have this information; if you do not, perhaps you could write to us—is about the gender pay gap within the National Infrastructure Commission.

Phil Graham: I do not have that information. I can calculate that and come back to you, but I am not going to guess in front of the Committee and get it wrong.

Q18 **Chair:** No, I appreciate that. Moving on, both Lord Adonis and Sir John have great experience—obviously you have as well, Mr Graham—of delivering other infrastructure projects. You have been involved in this throughout your careers. One of the questions that people might have is how it is possible to move from having worked on certain projects to looking at them and recommending and challenging the Government on them. Do you feel that is something that you, as individuals, are able to do: to provide that challenge on a cause that has perhaps been very close to your heart?

Lord Adonis: The advice we are giving is almost wholly on new projects. We do not have a vested interest in the things that we are looking at. All of the big projects—future nuclear power stations, Crossrail of the north and projects of this kind—are not projects that I, Sir John or other commissioners have been involved in. There is an exception in my case in respect of Crossrail 2, which is still in the pipeline, because I was chair of Crossrail 2 and part of a body that recommended it before. I stood down from the board of Crossrail 2 when I took on this post permanently, so I do not think there is a conflict there.

Almost all the recommendations we make are in respect of new projects. We do not play a part in existing projects. The delivery of existing



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projects is for either the body that is set up specifically to do them, or the Infrastructure and Projects Authority of the Treasury, which advises departments on the delivery of projects. Even in respect of HS2, which I was intimately involved in, we do not play any role in making further recommendations beyond government policy, because the Government have already committed to it. I do not have a direct role there.

Q19 Chair: As I understand it, HS2 and Crossrail 2 are the second and fourth highest priorities identified by the commission in its post-election statement, so some could interpret this as the commission pushing two projects in which you have been involved as a non-exec director.

Lord Adonis: The post-election statement we made was about projects to which the Government have already committed, and the importance of seeing that progress is made on them. I do not see that as a conflict at all. We were not presuming to make judgments as to what the Government should do. These were all projects to which the Government have committed.

In respect of Heathrow, which I think is the most pressing infrastructure decision that we are going to take over the next year as a country, the Government have committed in principle already. The Prime Minister did so before the last election, but there are a whole lot of parliamentary processes that need to be gone through over the next year if that commitment in principle is going to become a reality. The statement I made after the election was the importance of seeing through that decision in principle, so that the construction of this vitally important piece of national infrastructure actually takes place while we are all alive.

Q20 Chair: The statement is something separate from the interim statement that has just been published.

Lord Adonis: Yes. The post-election statement was about the need for progress on infrastructure projects to which the Government have already committed in principle, but where a lot of further work needs to be done before they get to the stage where they can be implemented.

Phil Graham: This relates to the third part of our remit. We produce a national infrastructure assessment that is forward-looking. We produce studies that look at individual infrastructure challenges, but we also have a role, as set out in the charter, to hold the Government to account for whether they are making progress on infrastructure.

Q21 Chair: I want to come on to the remit of the commission in a moment. Lord Adonis, you will understand that you are also very well-known for the other political views that you have set out. It will not surprise you to know that we might touch on the thorny issue of Brexit in a moment, but it would be remiss of me not just to ask you, as chair of the commission, about this issue. You have been very outspoken about Brexit. You obviously went off to visit Michel Barnier 10 days ago, or something. I just wondered how you felt your outspokenness on that sits with your



role as chair of the commission.

Lord Adonis: I keep the two roles very separate. In my role as chair of the National Infrastructure Commission, I operate in a cross-party way and have excellent relations across the parties. I consult with Ministers frequently. I am separately a Member of the House of Lords, and, on the specific issue of Brexit, it is impossible at the moment to be a Member of the House of Lords and not to have a view, because the single most important thing that the House of Lords is considering is Brexit. I appreciate that there can be tension between the two, but I make an effort to keep them separate.

I should also make a point that I think is in favour of some of the good things that are happening in the country at the moment. With most big national infrastructure projects, there either is a consensus between the parties, or there is a desire to forge one. We are not in a period, I am glad to say, where people are fighting in a very partisan way over major infrastructure. I pay tribute to both this Government and the last Government in ensuring that that was the case, and to institutions like the Mayor of London and the mayors that have been developed in the other cities, who are anxious to forge consensus.

The big issue in infrastructure is not differences between the parties. It is one of the biggest differences in politics, which is between action and inaction. The issue on most of these things is not whether people think that Crossrail of the north, Crossrail 2 or Heathrow are good ideas in principle. It is whether people are prepared to do the things that see that they happen now, or whether, for 101 reasons—some of which are to do with nimbyism; some of which are to do with there not being enough money in their perception—they desire not to proceed, rather than to proceed.

It is possible to combine these roles, but I fully accept that, in this time of our national affairs at the moment, where Brexit is a hugely difficult and controversial issue, I am inevitably going to be appealing to more than one audience.

Q22 **Chair:** The commission is not a delivery body, so is it a frustration for all of you that you can publish interim assessments; you can talk about priorities for the country, but you have to hand over and watch delivery happening, or not happening, through other people?

Lord Adonis: It is a huge frustration. I would love to be dictator of all the infrastructure in the country. If HS2, Crossrail of the north, Crossrail 2 and nuclear power stations were all under the personal direction of Sir John, me and Mr Graham, I can assure you that they would be delivered much more quickly than might otherwise happen, but in this world these responsibilities have to be shared. Our role is to make recommendations, and it is the job of others to take them forward.



Phil Graham: It is substantially less of a frustration to me and my 41 staff.

Chair: I am sure your new member of staff is very grateful to hear that.

Sir John Armitt: It is also worth remembering that at least two-thirds of the value of infrastructure delivered in the country is not delivered by the Government; it is delivered by the private sector.

Q23 **Chair:** Absolutely, and I take that on board. Looking very briefly at the remit, we are going to come on and talk about devolution in a moment, but one of the great challenges is housing. Of course, housing is not within the remit, per se, of the commission. In your interim assessment, you say that housing is the greatest infrastructure capacity challenge of all, and an entire chapter is devoted to infrastructure to support housing. I wonder if you think it is possible to take a whole-system approach to infrastructure without directly considering housing.

Lord Adonis: The housing issue is half within our remit, in that we have responsibility to recommend economic infrastructure that facilitates the provision of housing. Although we are not a new towns commission or a body recommending new settlements, housing targets or anything like that, it is a responsibility of ours to see that economic infrastructure, transport and utilities are provided to facilitate housing.

In what I think is a path-breaking report that we have done on the Cambridge, Milton Keynes and Oxford corridor—which is one of the most important growth corridors in the country—the specific remit given to us by the Chancellor was to recommend infrastructure that would facilitate a substantial increase in the rate of homebuilding across that corridor. In our interim report, we recommended that the rate of homebuilding on that corridor should be doubled—a really significant increase in homebuilding—alongside east-west rail, so state-of-the-art rail connections between the settlements on that corridor. I call it a corridor, but in fact it is an arc, if you look at it geographically. We also recommended significantly upgraded road and digital communications across the arc.

We set out in the reports—we will be saying more about this in our final report in the next fortnight—what we regard as a deal that we can put to the Government and to local authorities across the arc. In return for very significant state investment in transport, utilities and digital infrastructure across that arc, they should embrace a doubling in the rate of homebuilding, including the potential for new settlements. I have engaged intensely with local authorities across that arc, and I am glad to say that the approach we have been taking has had a warm reception. Whereas housing planning decisions are often difficult, particularly when you are asking people to accept more, because the local authorities can see a deal of really important and much-welcomed transport and utility infrastructure across the arc, they are prepared to contemplate a big increase in homebuilding.



That could be a model for how we plan transport, infrastructure and housing in other areas. It is at the heart of Crossrail 2: the conception of Crossrail 2 as a driver of very significant new homebuilding in London, where it is badly needed. It is also integral to the vision for the midlands hub, building out from Birmingham International station, and the northern connectivity report for Crossrail of the north. I hope that this could become an established principle in infrastructure planning in the future.

Q24 Chair: I ought to look at money. We have the Budget coming up in a couple of weeks' time. Under the fiscal remit the commission has been given, the recommendations are to be accommodated within "between 1% and 1.2% of GDP each year from 2020 to 2050". I suppose the broad question is whether you think this level of expenditure will be sufficient to address the challenges facing UK infrastructure.

Lord Adonis: On this issue, can I pay warm tribute to the Chancellor, because of what he has done in his remit to us, setting an envelope of up to 1.2% of GDP to be allocated for publicly-funded infrastructure? It was not properly noticed at the time, least of all by the media, how significant this was, I suppose maybe because it was a very good news story. It is a very significant increase in public investment in infrastructure.

To give you the figures, to understand quite how significant this is, the outturn for public infrastructure investment in 2015-16 was £17.7 billion. If that had been transposed to the remit we now have, 1.2% of GDP, that would be £23 billion, so it is a very significant increase. The Chancellor has said that we can make recommendations up to 1.2% of GDP. I do not think I am divulging any secrets when I say it is very likely that we will go close to the 1.2% ceiling. If we do, and the Government accept those recommendations—of course, that is a big "if"—we will see a much higher and more stable level of public infrastructure investment, which is hugely important.

Sir John mentioned a moment ago, though, that a significant amount of infrastructure is in the private sector. If you just take communications, water and energy, in that same year, 2015-16, about as much was spent in the private sector as was spent by the state. We also have a duty to make recommendations for private infrastructure spending, particularly to the regulators of the utilities, where we are not subject to a cap. I think the phrase was that we have to recommend "in an open and transparent way" what we recommend. We have been very much on the case of the regulators, particularly in respect of digital infrastructure where our view is that the state of Britain's digital infrastructure is inadequate. We have recommended a significant increase in the rate of spending on digital infrastructure. That spending is almost entirely in the private sector, and I think, as a result of our work, the level of spending will be increased.

Q25 Chair: Finally, do you think that amount of money will allow us to play catch-up? I think the OECD has said that the UK had under-invested in



infrastructure spending since the 1980s. Do you think that up to 1.2% allows us to catch up?

Lord Adonis: Yes, it definitely will allow us to catch up. Whether it is enough to allow us to catch up fully is one of the issues that we need to decide as we prepare our full national infrastructure assessment over the next year, but it will definitely allow catch-up. It will also allow much more systematic and consistent planning, because part of the reason why we have had very poor value for infrastructure spending, in our view, over the last generation is because of the stop-go nature of infrastructure spending. Just to take the roads programme, a whole lot of very important projects, like the A14, the A21 and so on, were cancelled after the 2010 election and have been reinstated since.

There is nothing that adds to costs of infrastructure projects more than stop-go. If people, particularly those who are engaged in the delivery of infrastructure projects, can see that there is a firm pipeline and that commitments that are made are going to be honoured, they will make up-front investments in training, staff, systems and all the things that can facilitate delivery. That, over time, will bring costs down as well.

Q26 Catherine McKinnell: It is interesting that you say that the level of funding will be enough to catch up, but obviously some parts of the country have more catching up to do than others. I wanted to ask you about the level of centralisation or localisation of infrastructure decision-making at the moment, and whether you think we have that balance right.

Lord Adonis: Our strong view is that devolving responsibility for regional infrastructure planning to the regions is a good thing. When we launched the draft national infrastructure assessment three weeks ago, we launched it in Birmingham, with the Mayor of the West Midlands, Andy Street. The Mayor of London came up to Birmingham for the launch. We also had the Mayor of Greater Manchester, Andy Burnham, and many of the other directly-elected mayors too. I came to that hot-foot from visiting Cardiff, where I met the First Minister of Wales. The commission has been to Scotland, and I met the Infrastructure Minister in Scotland too.

It is a good thing that we are seeing more devolution of planning. The acid test of this will be whether we see not only devolution of planning, but devolution of spending. That is a big test for us as a country over the next period: whether we not only give the regions, city regions and nations of the UK a bigger role in planning infrastructure, but allow them to control the resources. Obviously, Scotland and Wales have control of resources. London has a high level of control of resources because of the devolution of funding to Transport for London. We would like to see a similar approach taken to the other regions.

Q27 Catherine McKinnell: Do you have any concerns that those areas without a metro mayor, and I represent one of them, are perhaps at a



disadvantage in terms of the ability to influence that decision-making? Do we risk creating further inequalities around the country by devolving only to areas with metro mayors?

Lord Adonis: Where there are not metro mayors, there are still local enterprise partnerships and other partnership arrangements that bring together local authorities and the voice of business and employers. I know from my dealings with the LEPs that they speak out loud and clear on infrastructure issues, so it is important that the Government listen not only to the metro mayors, but to the leaders of the major local authorities and the leaders of the LEPs when it comes to infrastructure planning. Certainly, our commission pays close attention to them.

Q28 **Catherine McKinnell:** I guess it begs the question of whether central Government will actually listen to these bodies or whoever. In terms of your remit, your ability to influence and your obligation to make recommendations to the Government, do these subnational bodies have that same ability to make recommendations and for them to be adhered to?

Lord Adonis: Time will tell. The early indications, though, are that the metro mayors and the LEPs have been taken seriously. The deals that have been negotiated between the Government and the LEPs, which give some further measure of devolution, and the seriousness with which the Government are taking the metro mayors, are very welcome signs.

The area that has the longest experience of devolution within England is of course London, with the creation of the Mayor of London in 2000 and the devolution of substantial funding, including tax-raising powers, to London through the supplementary business rate and other measures. I do not think it is any accident at all that infrastructure planning has been best conducted, and is most advanced, in London. What we, the commission, would like to see is an equally bold and ambitious approach taken to infrastructure planning in all the other regions beyond London, and the Government being equally open to their investment requirements, particularly the north of England, which historically has been under-invested in.

I have just read the debate in the House yesterday on transport in the north, with a lot of heartfelt speeches by Members on the state of transport communications in the north, across from Liverpool to Hull. I agree with most of the comments that were made; this needs to be put right. I hope that the LEPs, the local authorities and the mayors for the north will make their views known consistently, loud and clear, with real plans behind them. The establishment of Transport for the North is a welcome sign. We need equivalent measures elsewhere in the country.

Q29 **Catherine McKinnell:** The issue is to have the powers, but also to have the resources, the money and the investment available. I know that the commission has recommended that limited borrowing powers should be awarded to local and regional authorities to ensure increased investment



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in infrastructure. That was an Industrial Strategy Commission recommendation. Is that something that you would agree with?

Lord Adonis: Yes, and local authorities have prudential borrowing powers at the moment, but the capacity to borrow more widely is something that we support. Equally, our job is to do our very best to make things happen. We are not going to make proposals, on a wing and a prayer, that might be possible if all kinds of other changes are made. Our recommendations will be within our fiscal remit, and the Government need to have a fully open dialogue about the recommendations we have made, which are within the remit that they have set us. I am not proposing to suggest that we can put everything on the credit card and then everything will be fine.

Q30 **Catherine McKinnell:** You mentioned the debate last night. One of the points I made was that, for a long time, decreasing inequality between the north and the south has been about connecting the north to the south, but interconnectedness between northern cities is a really key priority. I know that that is something that the National Infrastructure Commission has recommended. How will the commission work with metro mayors, and other areas that are not represented by metro mayors, to make that a reality?

Lord Adonis: I am not wanting to garner favourable reviews, but I agree with everything you said in the debate yesterday. I was also very struck by the Minister, Jesse Norman, when he responded. I thought he made a very constructive speech about the importance of putting connections between the northern cities alongside HS2, which is linking the north, the midlands and the south.

Our very first report was on northern connectivity, where we recommended that Transport for the North, the new body that had then just been established, should by the end of this year, 2017, produce a plan for linking the northern cities from Liverpool in the west to Hull in the east. That is being taken forward at the moment. Transport for the North will make recommendations by the end of the year. We will make comments on those recommendations, to give our view as to whether we think they are sufficiently robust. I hope to be in a position to give a very strong welcome to them, because that they are very important for the country as a whole. It will then be up to the Government to take them forward.

The big thing about infrastructure is—this is a statement of the obvious, but a very important one—that you cannot have commitments to national infrastructure unless you have the plans. Before I worked hard on the plans for HS2, people used to say, “You will never have high-speed rail in Britain. It cannot be done”. People said, “You will never get people to agree that you can build railways in straight lines in Britain, because of environmental considerations”. Well, if you never plan anything, nothing will ever happen. With Transport for the North, there is now a body



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responsible for the planning. Once you have the plans, I hope that the ability to persuade the Government will be much stronger.

- Q31 **Catherine McKinnell:** I agree with what you are saying. However, over the last five years, infrastructure spend between the north and the south—this was highlighted in the debate yesterday as well—has averaged £299 per head in my region, the north-east, as opposed to £997 per head in London. What do you think is the reason for this disparity in the infrastructure spend, and what do you think is the right ratio that we should be moving towards?

Lord Adonis: Can I make a number of comments on this, because this is a hugely important issue for national infrastructure? Those figures are debatable. There are different ways of calculating them. I noticed that the Minister said, when you and others raised those figures in the House yesterday, that 60% of the infrastructure pipeline could not be allocated to regions, and that is true. You can debate those figures.

Secondly, the single biggest infrastructure project that the country is engaged in now is HS2, and that project is a massive investment in the north, the midlands and the south.

- Q32 **Catherine McKinnell:** Not the north-east.

Lord Adonis: High-speed trains will go through to the north-east too, because they will go from Leeds on to the east coast main line, and up to Newcastle and Edinburgh, so that is a wider investment.

However, I recognise and fully accept that there has been a great deal more investment in London and the south-east than other parts of the country, and there is a problematic reason and a good reason for that. The good reason is that a lot of the investment in London and the south-east is investment in national connectivity. London is the main gateway into the country. It is hugely important in terms of trading for the rest of the country. The single most important port, by value, in the country is Heathrow, so having really state-of-the-art connections there is vitally important for all parts of the country.

Let us be absolutely frank about it. Part of the reason why London has done better is that London has had a more powerful voice through the Mayor of London. I have worked closely with all three of the Mayors of London since 2000. All three of them—Ken, Boris and now Sadiq—have put infrastructure at the core of what they do. Indeed, they have had to, because the mayoralty was set up to be an infrastructure planning body first and foremost.

Because they have had the plans and they have had a good deal of funding delegated, they have been able to take infrastructure in London forward in dramatic ways. Crossrail would not have happened without the Mayor of London. The congestion charge, which helped pay for transport improvements in London, certainly would not have happened without a directly elected authority, and so on. I hope we will see equally powerful



political voices for the other cities and regions across England that will put them on a par with London.

- Q33 **Catherine McKinnell:** I am asking these questions not just because I am banging my north-east drum, but because the UK is one of the most unequal countries in terms of regional disparities. That has impacts on our productivity as a whole as the UK. There is a stark divide in productivity in different parts of the UK. To what extent do you believe this is determined by the quality and interconnectivity of infrastructure in different regions?

Lord Adonis: Infrastructure makes a big difference. I have no doubt about that at all. You cannot have a modern economy, nationally, regionally or locally, unless you have good infrastructure. That is not just economic infrastructure; that is social infrastructure as well. It clearly makes a big difference. That is part of the reason why the National Infrastructure Commission was established, and why we think we should be spending more money on infrastructure nationally, regionally and locally.

- Q34 **Catherine McKinnell:** What, in particular, are you doing to ensure this?

Lord Adonis: Can I highlight two things that we have done? The first is to make recommendations for infrastructure improvements across the country. As I say, our first report was on connectivity within the north, so we have been paying close attention to the need to be a genuinely national body, not a body favouring any one region over the other.

The other thing we have done is to start looking at how the more wealthy regions of the country could pay for more of their infrastructure. A key recommendation we made in respect of Crossrail 2 in London was that London should pay for at least half the cost of Crossrail 2. In historic terms, that is a revolutionary proposal, because all major infrastructure has been paid for by the state.

There was a big departure taken in the case of Crossrail, where a third of the cost of Crossrail was paid by London ratepayers with a supplementary business rate. We said that half the cost of Crossrail 2 should be paid for by London, which we took to be a fair assessment of the direct London benefits as against the national benefits, and that that would free up significant resources, which could then be devoted to infrastructure in other parts of the country. I hope we can take those recommendations further forward in our future work.

- Q35 **Wes Streeting:** Good morning. I want to begin with some questions about accountability. The NIC's framework document says, "The NIC is accountable to the Chancellor for both the quality of the analysis and recommendations it produces, and for the way it uses public funds". It also says, "The NIC will hold the government to account for delivering NIC recommendations that the Government has endorsed and agreed to take forward". Is it effectively the case that the NIC and the Chancellor



are holding each other to account?

Lord Adonis: That is a good way of putting it, actually. We seek to hold the Chancellor to account, both for the planning and decision-taking on infrastructure, and equally he holds us to account for the quality of our work. He is not the only person who holds us to account. You, Chair, and your Committee hold us to account too.

Chair: From now on, yes.

Lord Adonis: We are also held to account in the court of media and public opinion every time we open our mouths. It is a two-way process.

Q36 **Wes Streeting:** How is the process playing out, from your point of view? In terms of your satisfaction or otherwise with the Government's approach to responding to your recommendations, how is that relationship going?

Lord Adonis: Virtually all our recommendations have been accepted so far, including ones that have been quite controversial, like the commitment in principle to Crossrail for the north and Crossrail 2. That has been good work, but, in terms of our ability to conduct our business, the crucial decision taken on that level is that we have been given a forward-looking budget, with substantial resources to employ our 40 staff and to conduct our work. We are in the process, at the moment, of negotiating a multi-year budget. Once we have that in place, it will further enhance our independence.

Q37 **Wes Streeting:** Where things do not go well and you are not satisfied with the Government's response, what recourse, if any, do you have to challenge the Government?

Lord Adonis: Publicity is the biggest recourse we have, and we have not been afraid to use that. The post-election statement that the Chair referred to, where I highlighted the 10 big infrastructure challenges facing the country, got a lot of attention. Almost every time I open my mouth on the subject of national infrastructure, I say it is high time we took a decision on Heathrow and developing our most important port in the country, in terms of its capacity to service demand in the future.

We have a good deal of soft power—that is probably the best way of putting it—which comes from being able to command the airwaves. We cannot instruct the Government to do anything, but nor do I think we should be able to, because the Government are obviously elected and accountable to Parliament. It should not be for a quango like mine to take decisions on infrastructure.

Phil Graham: If you go back to the framework document and the charter, alongside that media and publicity element, we have a formal requirement to publish a report once a year setting out whether the Government are making the progress that they said they were going to make on our recommendations. We have a formal hook, in terms of the



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programme of work that we are required to undertake, to come back and provide that kind of progress report. That will give us the opportunity, where we go through those recommendations and we see that things are not happening, to say so in a formal way back to government.

- Q38 **Wes Streeting:** Both of you have couched your work in relation to a clear acknowledgement that a democratically-elected Government has to ultimately be responsible and be the ultimate decision-maker. Are you satisfied with the arrangements entirely as they are, or are there areas of hard power that you would seek or recommend to Parliament that we should grant to you?

Lord Adonis: My view is that the ball is very much in our court now. The Chancellor and the Government have given us a substantial budget and a remit. We have the co-operation of all the major political parties and the devolved Administrations across the United Kingdom. I am not coming before you and saying that we need more powers. I am coming before you to say that we have a very important national mission, and our job is to show ourselves worthy of it. What you could do is to strongly encourage us in that. If you wanted to give us any guidance on things that you particularly wish us to pay attention to, we will take those recommendations very seriously.

- Q39 **Wes Streeting:** Finally, on accountability, before I move on to a couple of specific areas of your work, with Heathrow—which we will come on to—you have alluded to where I am going with my next question. Obviously, your direct relationship is with the Chancellor, but clearly infrastructure and infrastructure decisions are owned by a variety of government departments. What is your interface like with government departments other than the Treasury, and Secretaries of State other than the Chancellor?

Lord Adonis: Good. I have met all the Secretaries of State in the departments that we interact with, and many of the other Ministers. I have a very good working relationship. They strongly value our work, because, from their point of view, the louder people beat the drum for infrastructure, the better it is for them.

Just two days ago, I met Karen Bradley, the Secretary of State at DCMS. One of her most acute concerns is improving the quality of digital infrastructure. From her point of view, it is an enormous help having the National Infrastructure Commission on the same wavelength. We have found this an entirely collaborative and positive relationship.

- Q40 **Wes Streeting:** Excellent. Let us move on to an area where I am not sure things are moving as positively as you would like and many of us would like. That is the issue of Heathrow. In your post-election statement, you set out 12 infrastructure priorities for the UK, and Heathrow and the third runway were top of the list. In your interim national infrastructure assessment, you say, "The delay in the planning of new national airport capacity is the most egregious failure of all", which is



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quite strident language.

Why is the Heathrow third runway such a priority for the NIC? What do you make of the most recent assessment from the Department of Transport suggesting that the option to expand Gatwick, not Heathrow, might represent better value for money? More importantly, what on earth can we do, beyond public criticism and challenge to government, to get them to finally move on and take a decision that is long overdue?

Lord Adonis: I was Minister of State for Transport in 2009, when the then Government announced that we were going to expand Heathrow, do HS2 and introduce the managed motorway programme to get a lot of capacity on the motorway, all on the same day. Two of those things have happened. With HS2, construction is starting next year. Managed motorways are now advancing across most of the most congested parts of the motorway network, but we still do not have progress on Heathrow.

The 2009 announcement was six years after my predecessor-but-about-four had also committed to the expansion of Heathrow, and it was 20 years after the first firm recommendation that Heathrow should have a third runway. This is hardly a decision that has been slow in the making. Since then, an independent commission, which David Cameron set up, under Sir Howard Davies has also recommended Heathrow. It went through the options as against Gatwick and Heathrow, and it came down firmly on the side of Heathrow, in terms of the long-term benefits that there would be. In particular, Heathrow is currently operating at 99% capacity and is having to turn away significant business, whereas Gatwick is not operating at anything like that level of capacity.

This is crucially important, because they are not notional benefits that might be had if these airports were full. They are real benefits that we know can be had from airport capacity that will actually be utilised by airlines. That is what matters. The reason why the expansion of Heathrow is so important, as the Davies commission found, is that it is operating at 99% capacity. We know that there would be demand from airlines for more international flights if the capacity were there. That international connectivity, which we are losing from the United Kingdom as a result of not expanding Heathrow, is not, unfortunately, going to Gatwick, Stansted, Manchester or Edinburgh. It is going to Schiphol, Frankfurt and Charles de Gaulle, which are getting direct connectivity with emerging markets that we are not.

To give the Committee some really startling statistics, at the moment, Heathrow serves four destinations in China. Schiphol serves nine destinations in China; Charles de Gaulle serves seven; and Frankfurt serves five. That is a terrible indictment of the state of connectivity of UK plc. Just think about that for a moment. Schiphol in the Netherlands, a country a fraction of the size of the United Kingdom, has direct connections with more than twice as many Chinese destinations as Heathrow. Schiphol has six runways. Charles de Gaulle has four runways.



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When I was Secretary of State for Transport, I went to the opening of the fourth runway in Frankfurt.

We have not opened a new runway in the south-east of England since the Second World War, and we have spent 30 years debating whether or not we should have a third runway at Heathrow. If I could suggest it to the Committee, we just need to get real about this. We cannot dither for this length of time and sacrifice national welfare, which is what is happening by not expanding Heathrow. We have to get on and do it. This has been the view of Governments of all political parties over the last generation. It has been the view of independent commission after independent commission. It is the view of my commission, and I hope Parliament will be able to take those decisions in the next year.

Wes Streeting: Why don't you tell us what you really think?

Lord Adonis: I hope I have been outspoken enough and independent enough in my views.

Q41 **Wes Streeting:** That is pretty clear. Therefore, we really should not be distracted by the DfT Gatwick analysis. Is this about politics?

Lord Adonis: The analysis of the DfT does not in any way contradict the analysis that was undertaken by the independent Airports Commission. The independent Airports Commission recommended, having looked exhaustively at the data, that Heathrow was the preferred option for expanding. That decision should still be taken ahead.

Sir John Armitt: I was a member of the commission with Phil and Howard for three years. We looked exhaustively at all the options. We looked at all the other airports around the world. We looked at the future demands. It was a unanimous decision—not a difficult one, at the end of the day—that Heathrow was the right option.

We wrote some safeguards around our recommendation for Heathrow. Those safeguards are essentially being ignored, so what becomes the tripwire today for Heathrow is something like air quality. We made it very clear that Heathrow could go ahead: "Let us build a third runway, but you will not be allowed to open it unless you can demonstrate that you have your emissions under control". There was the safeguard there. Heathrow accepted those constraints in debate and discussion with us, recognising that those factors would have to be taken into account.

We are talking about 2030, for God's sake, before this thing is likely to really be up and running. Who can stand today and say what the emissions on the Bath Road are going to be in 2030? This is not a matter of emissions from aeroplanes. This is a matter of emissions from surface transport, and surface transport is undergoing radical change. Therefore, the degree to which we have stepped up the arguments against diesel and are introducing electric will change that. It is not very easy to predict that change; all you know is that it is going to result in lower emissions.



This is a political failure. This is absolutely nothing but a political failure by government to get off the pot and accept a clear recommendation from a commission under Howard, which sat for three years and made very clear recommendations, not for the first time, as Andrew has already outlined. Heathrow is very clearly the most sensible place to do it. The longer we delay, the more we, frankly, are just a laughing stock around the world, and certainly we are not going to be prepared, post Brexit, to play our part. If we want to show that we are open to the world, this is the clearest way that a Government could show that it is not open to the world.

Q42 Wes Streeting: Those points are powerfully made. You have both made your feelings clear from different perspectives, and I am sure, having been intensely involved in this work on the commission, there is nothing more frustrating than spending a huge amount of time and effort on a piece of work to see it then not followed. I am really struck by the strength of feeling among colleagues from other parts of the UK around the importance of Heathrow expansion, and this is a national infrastructure project. It is not just about the south-east or, indeed, the general good of the UK economy. There are direct benefits to regional airports from Heathrow expansion.

Sir John Armitt: It is like HS2: the further you get away from Buckinghamshire, the more support there is for HS2. Once you get away from Richmond, up north, people want to see Heathrow expanded. There are commitments, again, in the proposals to increase the number of flights between regional airports and Heathrow. Those regional flights are easily lost, because it is more financially viable and advantageous for an airport to take international flights than domestic ones. You have to have some rigour in making sure that, in fact, domestic flights are retained, and you can do that by increasing capacity.

Lord Adonis: I should emphasise that there is very strong support, as Mr Streeting knows, for the expansion of Heathrow in London as well. The majority of London Members of Parliament are in favour of the expansion of Heathrow. Nearly 100,000 people work at Heathrow. In west London, Heathrow is the single largest employer by a long way.

The previous mayor was strongly in favour of opening a completely new airport in the estuary. In the first phase of Sir Howard Davies' work, he said that the only way that that would be viable would be if you closed Heathrow. What he looked at as an alternative was closing Heathrow and then investing in a completely new airport in the estuary. I was very struck then that a lot of the people in west London who are not wild with excitement at the expansion of Heathrow were very wild with excitement at the idea that Heathrow might be closed, and they were strongly opposed to it. That played quite an important part in solidifying support for this as an option.

Most of the local authorities in west London are also in favour of expanding Heathrow, so this is not London versus the rest of the country.



Wales has a huge stake in the expansion of Heathrow, because it faces west, so it is hugely important for Wales. Scotland has a massively important stake in Heathrow, because by far the main source of business connectivity with London from Glasgow and Edinburgh, by numbers of business travellers, is air, not rail, unfortunately, because the railways are still too slow. It certainly is not motorway, where very few people drive all the way. Having good air connections, particularly with Heathrow, is hugely important to Scotland.

Q43 Catherine McKinnell: I will follow up with one question, although Wes has spoken for the nation in the questions that he has asked. Some people see this as an inconvenience. You say we are a laughing stock and we need to send the message that we are open for business. Have you undertaken an assessment of, and could you elaborate on, the actual risks to the UK economy and our regional economies if we do not get a decision on this before Brexit, or if we have to be looking even longer term than that?

Lord Adonis: The Davies commission put figures, and Mr Graham will have them at his fingertips—he said, giving him a moment to prepare—on the national income that we would be forgoing if we do not expand Heathrow. Figures have been put on this. Those figures will all probably be larger in the case of Brexit, because the importance of trade with the wider world, which needs Heathrow to gain connectivity, will be greater still.

Phil Graham: That is correct. I am casting my mind back slightly to my previous job. We did two things: we tried to do the Department for Transport-consistent economic analysis, which I think has been updated and Mr Streeting was referring to, which is quite narrow in its focus. It focused very much on the benefits directly to the air passengers who would change their journeys or be able to make new journeys as a result of the airport expanding.

We also—which was new, and to some degree experimental—tried to do a macroeconomic assessment of the implications of aviation expansion, or failing to expand aviation, for the country. That tried to look at the implications for trade and business investment, among other things. The results were quite stark. It was a new way of looking at this problem. I am not going to say that we have the accurate figure and know for certain, and as you say there have been big changes in the interim, but we were talking hundreds of billions of pounds' worth of benefit due to continued investment, knock-on investment, ensuring that trade routes remained open, and so forth. The difference was stark. We looked over 60 years.

Q44 Catherine McKinnell: That has only potentially increased as a result of Brexit. It has not diminished.

Phil Graham: Yes, that is entirely likely.



Lord Adonis: Can I make another point, which I think is crucially important to this really important theme that you have raised, about balanced regional growth? One of the unfortunate facts about England is that, apart from London, there is only one city where average GDP is higher than the national average, and that is the city of Bristol. That is a really big challenge to us as a country.

I do not think it is an accident that Bristol is so accessible from Heathrow. All the evidence is that inward investors, companies and those looking to make big investments very often start close to Heathrow, because, at the point where they are coming from abroad and commuting frequently, it is by far the easiest place to get in and out of. Besides London, the major city that is most accessible from Heathrow is Bristol. The huge affluence and productivity of the Thames corridor, going down to Swindon and Bristol, and extending through to south Wales, has a lot to do with proximity to Heathrow.

Therefore, we need to expand Heathrow and enhance its proximity to other parts of the country, which is why HS2 is so important. HS2 comes down to Old Oak Common, which is its first big station coming into London and which is just 10 minutes from Heathrow. That could have huge productivity and inward investment gains to the midlands and the north, which they do not currently enjoy.

Q45 **Kit Malthouse:** I just wanted to ask a question about that, which has been on my mind. As you know, I was in City Hall during all that debate, and was strongly pro the estuary airport. One of its advantages was about regional development, in that, by embedding the advantage of Heathrow and sucking people down the M4 and the M40, you effectively mean that Birmingham, Manchester and even Bristol airports will never become fully functioning regional aviation hubs.

Of course, the one thing that they are all desperately trying to negotiate all the time is direct connection to China. Edinburgh has been negotiating for some time to have its own direct connections. If the decision on Heathrow goes ahead, it will mean that you agglomerate the majority of the growth in and around London without allowing these other areas to become independent aviation hubs, as they might do in other countries, like the States.

Lord Adonis: There were a lot of arguments in respect of the estuary. If you were starting again from scratch—of course, the problem is that you never do in infrastructure—the argument for building an airport in the estuary if we did not have Heathrow would be a strong one. The Heath Government in the early 1970s started building Maplin as the new London airport. It did an assessment following a royal commission. The royal commission recommended that the new airport should go in the middle of the Chilterns. The Government did not like that idea; I think Members of Parliament were particularly animated about it. Having pioneered HS2, I completely understand why that one was not going very far.



Instead, they took forward a proposal for an airport in the estuary. Construction was started in 1973. Had that airport been built, maybe it would have reached sufficient size and could, in due course, have become the principal London airport, but it did not happen. To my mind, the crucial judgment you had to make was whether, with the huge sunk investment you have in Heathrow, working patterns and all of that, it was going to be practical and feasible to move that whole thing across to the other side of the city.

- Q46 **Kit Malthouse:** I understand the reasoning behind this. It is interesting that the commission that you refer to, back in the 1970s, came up with a suboptimal decision that would have been a disaster now. Here we are with another commission, and we are now saying, "This commission is right, but that commission was wrong". I get all the reasoning, though, behind it.

The question is what the impact of embedding the advantage of Heathrow will be on regional development. You are saying that it will be positive, because we will have all these fantastic rail connections, and your Japanese businessman will be able to land at Heathrow, get in a car—maybe even an automated car—and drive two hours to Manchester, and that means that they will invest. In fact, is that not suboptimal? What would be much better is if the Japanese businessman flew direct to Manchester. That becomes less likely if you embed Heathrow.

Lord Adonis: I am very much hoping that the Japanese businessman, if he comes to Heathrow, will come to Heathrow and take 50 minutes to get to Manchester from Old Oak Common. HS2 will be transformational. It will bring Heathrow into a level of connectivity with the midlands and the north that it has never enjoyed before.

- Q47 **Kit Malthouse:** Following the half-hour transfer from Heathrow to Old Oak Common.

Lord Adonis: That is true, but that is better than the hour transfer you have at the moment to get from Heathrow to central London stations.

- Q48 **Kit Malthouse:** The direct flight would be better, would it not?

Lord Adonis: I do not see these two as in conflict at all. There already are direct flights from Manchester to China. The question is whether the direct flights that come to Heathrow are immediately transferable to other airports. No, because the load factors and the volume of business travel in the Heathrow ones are so much higher than the ones they would get to other airports that they are always going to prefer Heathrow. Their order of priority is going to be Heathrow, hub airports in Europe and then regional airports in England. There is not a direct read-across between expanding Heathrow and regional airports.

In respect of the regional airports, all the evidence is that the stronger the UK economy is at large, the stronger the regional airports are, because more business can then be generated by regional connections



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with international markets. The best way, by far, of seeing regional airports expanded in England, Wales and Scotland is to have a strong Heathrow that generates more inward investment, which will, in turn, generate more business, which will be available for regional airports.

I have recently been in Bristol and in Cardiff. It is quite striking that Bristol and Cardiff—which both have regional airports that are busy trying to drum up more business, including directs to China—are strongly in favour of the expansion of Heathrow, because they do not see this as either/or. From their point of view, the best way of getting an expanded Bristol airport and an expanded Cardiff airport is to have an even stronger Heathrow that brings in more business in the first place.

Q49 Wes Streeting: We are moving from planes to trains. I am unashamedly going from speaking for the nation to speaking very firmly for Londoners. In March 2016, you published your report on London transport infrastructure, which recommended Crossrail 2 be taken forward as a priority, and which the Government accepted just a month later. There is now talk of the project being delayed by up to a decade in order to raise finance. Is this acceptable to the National Infrastructure Commission?

Lord Adonis: There is talk, but the Government have not taken their decisions yet. I am very much hoping that the Government will take decisions consistent with both Crossrail 2 and Crossrail for the north being opened in the 2030s. There is a particularly important reason why both are needed in the 2030s, which is that the second phase of HS2 going directly through to Manchester and Leeds, but with direct trains going well beyond to the north-east, the north-west and Scotland, is due to be completed in 2033.

When it is completed, the pressure on Euston will be enormous, because Euston is going to be the terminus for HS2. Pretty well all the intercity rail traffic from the midlands and the north to London will come into Old Oak Common first, but then its terminus will be Euston. At the moment, as members of the Committee who use Euston will know, getting down to the Victoria and Northern line platforms in the peak hours is an absolute nightmare. It is so dangerous that, in the morning peak, the Victoria and Northern line platforms are sometimes closed because they simply cannot take the pressure. When that happens, there is pandemonium at Euston. That is now, so imagine what it will be like in 2032 or 2033 if we do not have Crossrail 2.

There is a hugely important reason why we need that capacity in 2032-33. The same is true in Manchester and Leeds, because, unless you can disperse the traffic from Manchester and Leeds to the other destinations in the north where it is going to, you will have similar congestion in the north, and you will also be holding back growth in the north in a similar way. The argument that I am making, which is important not only for London but for the midlands and the north, is that you need the regional connections from the HS2 hubs to be open at the same time as HS2 is completed. That is important in respect of



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Crossrail 2 in London, but it is also important for connections from Birmingham International in the midlands and from Manchester and Leeds in the north.

Q50 Wes Streeting: When do you think that a firm decision needs to be taken on Crossrail 2? How long do the Government have?

Lord Adonis: Next year.

Wes Streeting: They need to take a decision by next year.

Lord Adonis: Yes, and they need to take firm decisions on the midlands and the north next year too if it is going to be possible to develop these projects alongside HS2, so that they can all open in parallel in the 2030s.

Q51 Wes Streeting: In terms of the specific objection, which has found its way into the public domain, of the financing of the project, do you think this is achievable?

Lord Adonis: Yes. It needs a plan, but some of the best minds in the Treasury and the Department for Transport are working on this. They are very brilliant minds. The Mayor of London's team is working on it; he has some brilliant people too. Transport for the North has some really excellent people. It has recruited an outstandingly good chief executive. We need them all in a room together; they need to hammer this out between them; and it all needs to happen next year.

Q52 Wes Streeting: Can I ask you a final question, which is the London versus the north question? As chair of the London group of Labour MPs, I am always acutely aware of the rolling eyes and deep, heavy sighs as we complain. Once, I tweeted about the wait for a night tube, and was bombarded with anecdotes of how long people have to wait for a train on their morning commute. These are perfectly reasonable points, and I can understand why people from other parts of the UK think we are terribly spoiled in London. How do we puncture through some of this? Do you think that the perception that infrastructure spending in London is always given more of a priority and more of a political impetus than the rest of the country is a fair one? What can we do to try to redress the regional imbalances that Catherine was quite rightly referring to in her first question?

Lord Adonis: Historically, it has definitely been fair. Historically, London and the south-east have done much better in terms of infrastructure spending than the other parts of the country. The question is whether we can put that right in the next generation.

HS2 is a big step towards putting that right, because that is an investment that equally benefits the midlands and the north. If we can reach a new deal with London—which the Mayor of London is absolutely open for—whereby London pays for a much larger share of its infrastructure, that makes possible a much more equal distribution of infrastructure spending in other parts of the country, in terms of



government spending. That is a big step forward, and makes it possible for us to have more London, as well as more of the other parts of the country, in terms of spending.

Not only this mayor, but the last mayor, played an important part. I pay tribute to the work that Mr Malthouse and his colleagues did in City Hall. The decision of the last mayor and Ken Livingstone before him to proceed with Crossrail on the basis of the supplementary business rate, which meant that London businesses were paying—and are paying as we speak—a third of the cost of Crossrail, was a seminal change in terms of national infrastructure planning. We built on that with Crossrail 2, to say that Crossrail 2 should be paid for at least half by London.

It might be possible to pay for substantially more than half of the cost of infrastructure in London by Londoners, given the wealth of London, in future. Because London is now very good at taking decisions on its own account, and it has excellent infrastructure planning resources in the mayoralty, I hope we can strike a new deal between London and the other parts of the country that means that this is win-win, and not a zero-sum game.

Wes Streeting: Well, let us hope that there are no major events that disrupt the London tax base and the thriving economy in our city.

Lord Adonis: I cannot think of anything that might be coming down the track.

Chair: We might return to that subject in a moment.

Q53 **Catherine McKinnell:** In your 2016 report, “High Speed North”, you were very clear that we need that significant and immediate investment in the north, that we need to harness and kick-start HS3. How confident are you that that is happening?

Lord Adonis: Transport for the North is, as we speak, working on its plans, which it is going to publish in December, on northern connectivity. It is making good progress, and I am confident that it will produce viable plans. Once we have those viable plans, decisions need to be taken on them, so we are moving forward.

Q54 **Catherine McKinnell:** Going back to HS2, a big concern that has been raised is the level of tunnelling that has taken place in the southern part of HS2. I think 29% of the new high-speed line from London to the West Midlands will be through tunnels to avoid disrupting those communities and the landscape. However, in contrast, 2% of the track running from the West Midlands up to Leeds is through tunnels, and it has been highlighted that there is perhaps a disparity in the way that these communities are being treated. Do you have anything to say about that?

Lord Adonis: Let us be clear about the topography. There is going to be a lot more tunnelling going out London and through the Chilterns anyway. You cannot get out of London without a tunnel, because it is



entirely built up, and that is hugely difficult terrain. When I published the initial proposals for HS2 in 2010, there was substantial tunnelling through the Chilterns anyway. It was necessary for topographical reasons.

There has been an extension of that tunnelling in order to deal with local environmental concerns, and I understand that. Those environmental concerns, because you are going through a region of outstanding natural beauty, have been judged by the Government to be greater than the case for tunnelling in other parts, so that is a judgment that the Government have made based on topography plus environmental considerations.

As somebody who has been following high-speed rail in this country and other countries, although I understand the environmental concerns that have led people to want tunnels even when there is not a topographical reason for it, I am not sure that they are right. High-speed trains are beautiful. They are some of the most beautiful facets of modern life. The High Speed 1 line goes through Kent at the moment. I do not go to communities in Kent where people say that it is bad having this high-speed line going through. On the contrary, if you look at the bridge across the Thames near Dartford where HS1 goes through, this is one of the most beautiful and one of the most photographed transport icons in the world. Most other countries adore the high-speed trains.

I think that Buckinghamshire is going to fall in love with HS2 when it is developed. I think that the bits of the Chilterns where the tunnels have been extended needlessly are going to hugely regret it, because they will miss out on some of the most beautiful views that it is possible to have in the modern world. The midlands and the north are to be warmly congratulated for welcoming HS2, not wanting it put in a tunnel. It means that the people who use HS2, instead of travelling through an extension of the Northern line—which is going to be their experience going through Birmingham at the moment—will be able to admire the phenomenal beauty of the midlands and the north.

This is going to act as a huge spur to new investment and people wanting to move out of London, whereas the Chilterns will be starved of this investment because people will not see the beauty of the Chilterns from the train. They will be stuck in a tunnel, so this investment instead is going to go to Birmingham, Manchester and Newcastle. You should congratulate yourself on the fact that people are going to see so much more of the midlands and the north when this line goes to them, and they are not going to be stuck in a tunnel.

- Q55 Catherine McKinnell:** You make a very compelling case, Lord Adonis. What do you make of claims from certain groups that the north and the midlands will lose out rather than benefit from HS2; that it could end up reducing intercity connectivity for Northern cities; and—a big concern—that more than 70% of the jobs created at HS2 stations and through the HS2 construction will be generated in London, and not far north above that?



Lord Adonis: I think those arguments are risible. When I was planning HS2, I visited all the major high-speed systems of the world. I did not meet business, political or trade union leaders in any of the second or third cities of other countries that are served by high-speed rail, whether Lyons in France, Hanover in Germany, Osaka in Japan or Florence in Italy, who thought that high-speed rail was a bad idea, or had led to them being worse off. On the contrary, they all gave me stories of how good it was and how beneficial it had been.

That, let us be clear, is also the view of the political leaders of all the cities north of London, who are desperate for HS2: Andy Street in the West Midlands, Andy Burnham in the north-west, your own leader of Newcastle City Council and the leaders of Sheffield and Leeds City Councils. These are among the strongest protagonists for HS2 in the country. They see this as a hugely exciting and important development in terms of making their cities more attractive to inward investment, not less.

If you think about it for a moment, if it were the case that improving the connectivity of these cities was a bad thing, presumably the best thing to do would be to close the existing railways and go back to the canals. I have not yet met anybody who thinks that that is a good idea. Modern state-of-the-art connectivity is a big boost to national welfare and regional development. It is not a threat to it.

Q56 **Catherine McKinnell:** However, one of the arguments put—you have said this yourself—is that we need to squeeze as much as possible from our existing assets. Do you share any of the concerns being expressed that more could be squeezed out of our existing assets and that we should be investing more in our existing railway infrastructure, rather than putting so much money into HS2?

Lord Adonis: We need to do both.

Sir John Armitt: We looked at this when I was head of Network Rail. HS2 is about capacity. It is also about the fact that you cannot just continue for ever and a day putting sticky plaster around Victorian infrastructure. The Great Western, the east coast main line, and even the west coast are fundamentally sitting on infrastructure that was laid down 150 years ago. Therefore, you have occasionally to build new. It is far more cost-effective. The west coast upgrade was a very expensive piece of work. I was at Network Rail when we did it, and it was an £8 billion investment that I could never have defended as being a highly productive piece of work. It has improved the west coast considerably, but in fact it was maintaining and improving the capacity.

Network Rail is engaged at the moment in a massive digital exercise to improve signalling across the network. Signalling is primarily the way in which we improve capacity, but signalling is probably the most complex aspect of the railway system, and, when you make radical changes to it, it is going to be difficult and full of unexpected issues. The most reliable



railway in the country is High Speed 1. It has 96% or 98% availability, more than any other section of the railway.

Just reverting to what Andrew was saying, when we were planning High Speed 1, which I was involved in at the time, we had loads of opposition in Kent. People in the north were not going to get High Speed 1, but they were supportive of High Speed 1 because they saw it as the start of more high-speed rail in the country, and they were predicting High Speed 2, which is why they were always supportive of it. I do not think the north has ever been concerned that developing a second high-speed railway that comes from London and goes up to the north was going to be detrimental to the north—anything but. They always saw it as being positive for the north.

Lord Adonis: Can I correct Sir John on one thing? I love doing this. The west coast main line is not Victorian; it is pre-Victorian. The west coast main line was opened before the coronation of Queen Victoria, in 1838. It has done jolly well for the country. It is nearly 200 years old.

The main transport artery connecting the first, second and third largest cities in England is a railway line that is about to celebrate its 200th anniversary, and in which only four miles are straight between London and Manchester, because it had to be built around the estates of members of my House, the House of Lords, who did not much like the railways and insisted that it went all the way around. It is why we have to have the tilting trains. We have to come into the 21st century, and I think most people understand that.

Q57 **Catherine McKinnell:** I have one last question. Obviously, I am conveying the concerns that are raised, and very much appreciating your candid and passionate responses. For many people, for example my constituents, there are many changes—to their daily commute, to the level of congestion in our cities, to the ability to cycle—that could make a much bigger impact on their lives and business investment locally than investment in HS2 and HS3. We are going to touch on some of those, but do you sometimes worry that the Government fail to see the wood for the trees, and there is a focus on big infrastructure projects and not enough of a focus what some might see as better-performing investments, in terms of cost-benefit analysis, that could radically transform everyday lives?

Lord Adonis: A huge amount of public investment is on dealing with bottlenecks and local infrastructure, including cycling infrastructure, which you mentioned. That is important. A big part of our report on the Cambridge-Milton Keynes-Oxford arc is looking at local infrastructure and how that can be improved, including those cities—Cambridge, Oxford and Milton Keynes—learning from London, which has had dedicated cycle routes that have dramatically improved cycling. The number of cyclists has, I think, nearly trebled in the last 15 years in London, thanks in part to significant improvements in cycling infrastructure. I entirely agree with



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you that that is just as important, and for many people more important, than national infrastructure.

- Q58 **Kit Malthouse:** I have some questions about broadband connectivity, energy generation and distribution, but I just want to ask a little about some issues that you raised earlier. You talked about a consensual approach on decision-making, but do you think consensus can sometimes kill innovation? For instance, when you look at the Great Western Railway that was laid down in great sweeping arcs because Brunel knew that the trains would be faster—hence why it has lasted quite so long—there was massive opposition to it. The consensus was not to do that at all, but he drove it through with sheer force of will as an innovative, forward-looking individual. Is that missing in your decision-making?

Lord Adonis: You never get complete consensus. If there was a complete consensus over Heathrow, it would be being built.

- Q59 **Kit Malthouse:** Sir John said there was total consensus on the commission.

Lord Adonis: There was consensus among the 10 members of our commission, but unfortunately that is only a very tiny fraction of the people who need to be persuaded.

- Q60 **Kit Malthouse:** That is the decision-making that I am asking about. I looked at your board members. They are quite an interesting mix, but are you having massive rows about these decisions? Are people issuing minority reports, saying, “We do not agree with the noble Lord about the way forward?” Is it a disputatious body, or are you all gently agreeing?

Lord Adonis: We have very vigorous discussions. For example, when we took on the work on Oxford-Milton Keynes-Cambridge, there was a vigorous discussion in the commission as to whether this was the appropriate project to take forward, rather than looking at other potential growth corridors. It was the Government that ultimately asked us to do so, which was decisive in that.

I would not for a moment suggest that we all start off by being of one mind on issues, but you cannot operate as a commission unless you reach a common view by the end, and that is also true of Parliament, government and the country. You want very vigorous debate on different options at the outset, but, unless you can reach a point of agreement, nothing happens at all.

- Q61 **Kit Malthouse:** Who is providing the forward look? One of the issues for you will be about the rapid change of technology. I am looking at HS2. There is some research, from Spain in particular, to show that high-speed connections can suck activity back into the capital city. I am not sure that I necessarily buy that, but some people would say, “Why is it on old technology?” HS2, in global terms, is quite slow-speed. Why is it not maglev? Who decided that it would be metal-on-metal?



Lord Adonis: It is state of the art in terms of high-speed rail. It is being engineered for 400 kilometres an hour, which is much faster than HS1. That is engineered for 300 kilometres per hour, which is the first generation of high-speed rail. It is significantly faster than Japanese high-speed rail.

Q62 **Kit Malthouse:** By the time it is built, it is going to be passé. It could be hyperloop, for instance.

Lord Adonis: It could be, and there is a vigorous debate going on among engineers as to whether further innovations are going to work. The only point I would note—this is more Sir John's area than mine, because Sir John is the engineer—is that no one has yet made a long-distance maglev or hyperloop work. The Japanese are building one between Tokyo and Nagoya. When we were looking at doing the earlier planning for HS2, I visited Japan to look at it. This was in 2009-10, and their plan then was to get it open by 2025. I think that has now been put back to beyond 2030 before it opens the whole way.

We all have to make judgments in this. The judgment I took is that the state of next-generation technology beyond high-speed rail was not nearly sufficiently tested for us to mortgage our future as a country to it, either then or now. At some point in the future, maybe there will be further developments, but all countries are going to have to address that. We are not going to be behind the curve in not having maglev.

Q63 **Kit Malthouse:** In that decision-making, how big of a say do the large industrial vested interests have? There is a huge manufacturing vested interest in metal-on-metal transport. There are other, smaller, innovative companies that maybe do not get a look-in. When you engage with those companies, they will say, "Oh, no, you cannot look at any of this. It is metal-on-metal. That is what it has to be".

Sir John Armitt: You know where large companies are going to come to before they put their submission in. If you want a more independent analysis of where the future is going to be, you are more likely to get that from academics and institutions. We take all of these into account. We get responses from all these different organisations. All you can do is put them in the balance, but then, at the end of the day, you have to come to conclusions that, frankly, you believe are deliverable.

There is no great benefit in coming forward with recommendations that might be very far-sighted and wonderful, but are not going to be deliverable and carry a far higher level of risk in delivery than going with what is known. Part of the difficulty of major infrastructure is the length of time. This process will start, probably, at least 15 years before anybody puts a spade in the ground, and the completion of it is going to be 30 years. Therefore, you are having to say, "Well, are we confident today that we can say what the right thing to be doing will be in 30 years' time?"



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Q64 Kit Malthouse: That is a separate question about our speed of delivery, our ability and our capacity to deliver quickly once a decision is made or should be made. The question I guess I am asking, in my own mind, is about the rapid development of some of these issues. We are putting legislation through about automated cars at the moment. It may be that, in 50 years' time, the railways are empty, because road transport using automatic, self-driving cars is so optimal that we do not need them any more. These are the questions that I hoped you were chewing on.

Just to move on slightly, because I am conscious of time, one of those questions is about 4G versus 5G. Is it worth the Government continuing to bother with 4G, or should we just leapfrog to 5G?

Lord Adonis: The infrastructure that is required for 5G substantially uses the infrastructure that you need for 4G anyway. The transmitter stations and all the local infrastructure that is vitally important for 5G piggybacks on 4G, so enhancing 4G coverage is not an either/or with 5G. It will prepare the way for 5G in due course. The recommendations that we made in our report on 5G was that we should invest significantly in improving the quality of 4G coverage. We are still only in the low 70s in terms of percentage availability of 4G across the country. That will be a vitally important building block towards 5G as it becomes available after 2019.

Q65 Kit Malthouse: Right, but on the basis that pretty soon we are all going to start getting 5G phones, 5G connection and all the rest of it, as I understand it, the roll-out of 5G requires a lot more fibre laying down.

Phil Graham: So does 4G. If you are going to improve the 4G coverage, you need more fibre as well.

Lord Adonis: It also requires a lot more transmitters.

Q66 Kit Malthouse: The Chancellor has announced some big fund to push for 5G, to lay down more and more of this.

Lord Adonis: That is good.

Kit Malthouse: The push should be primarily for 5G over 4G, but 4G may benefit in the interim.

Lord Adonis: We need both, because most of the country is not going to get 5G any time soon. We absolutely need to be ahead of the curve on 5G, but we also need to be investing in much more high-quality 4G coverage, because for the next few years that is going to be the main source of connectivity.

Q67 Kit Malthouse: Is it a worry for you, generally, that we are always going for the suboptimal? I listened to the *Today* programme this morning. They were in Korea as part of Trump's visit, and they were talking to them about fibre to the premises and the fact that, in South Korea, they are putting fibre to the premises in as standard. We are still lagging far behind, and we say, "We should do this universal service obligation and



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give everybody 10 miles an hour. That will keep us going for a bit", rather than doing a great leap forward.

Lord Adonis: That comment may be completely correct. One of the things that we are looking at in the national infrastructure assessment, which we are publishing next summer, is the case for fibre to the home and to the premises as standard. It is a very strong argument that you have made there, and it is one that we are going to consider very seriously.

Q68 **Kit Malthouse:** Are you moving towards the position, which some of us have advocated for some time, that broadband access should be seen alongside power as a vital utility? Nobody would accept a lower wattage or ampage, dimmer lightbulbs, just because you were further from the generator than somebody else.

Lord Adonis: That is a very powerful argument too, and it is also one that we are examining.

Q69 **Kit Malthouse:** So you are going to have a look.

Lord Adonis: Yes. I should say that we are not putting them on the backburner. The issues you have just raised, Mr Malthouse, are absolutely central issues for the national infrastructure assessment that we are conducting.

Q70 **Kit Malthouse:** We are in the middle of this consultation on the universal service obligation and what the model is looking like. BT is trying to—as far as we saw with Openreach—head off anything that might be draconian by making this offer that it will get everybody to some level voluntarily without the Government imposing anything. Are you going to be reporting within that consultation period?

Lord Adonis: We will be reporting very soon after, because we will be reporting next June or July. We may make recommendations in respect of digital infrastructure sooner than that. I am absolutely determined that we weigh in on what I accept is a vitally important national priority.

Q71 **Kit Malthouse:** The USO consultation, they are telling me here, has just closed. Is that right?

Lord Adonis: Yes.

Q72 **Kit Malthouse:** It will be broadly nine months after.

Lord Adonis: Yes, but it is going to take a while for decisions to work through into the system, including with Ofcom.

Q73 **Kit Malthouse:** This is what you were complaining about earlier, right? It is going to take a while, and you are going to take another nine months.

Lord Adonis: We do not publish our national infrastructure assessment until the middle of next year, because it covers the whole of national infrastructure.



Q74 **Kit Malthouse:** Do you not think, given the timeline, that it would be good to do, "This is what the future should look like for broadband", earlier?

Lord Adonis: It may well be. You are pushing at an open door in terms of our receptivity.

Sir John Armitt: Our own report on digital, which was published a few months ago now, was quite strong on this, and you are quite right. If you were to ask most people whether they regard broadband access as being as important as electricity and water, absolutely they do, and it is probably a more popular way of spending their money. It would probably be a more popular way of seeing public money spent if it was giving people what they want, which is better connectivity. It will also be essential if we are going to deliver on autonomous vehicles in the future.

Q75 **Kit Malthouse:** Exactly, but in terms of the priority of infrastructure, given the ability of superfast or ultrafast connectivity to effectively shorten distance, if you were looking at the northern powerhouse or whatever—the rail connections that need to be improved, and all the rest of it—would it have greater short-term, immediate-term or even longer-term financial impact to say, "We should spend more money on putting big, fat pipes between these major cities and getting fibre in the premises" than shaving 15 minutes off their travel time?"

Lord Adonis: They are not either/or, of course.

Kit Malthouse: No, but in a finite government spending environment there are prioritisations required.

Lord Adonis: The crucial thing about most of the spending on digital infrastructure is that it is in the private sector. It is not public spending. The critical issue here, which is one that we and the Government are wrestling with, is what obligations you should put on private companies to invest. If they are required to invest, they will invest, because otherwise there is no basis on which they can offer the service. There is some rural broadband spending that has been financed by the state, but the overwhelming majority of spending on fixed and mobile communications infrastructure is in the private sector. The big issue is what they should be required to invest.

Q76 **Kit Malthouse:** I understand that, but if you look at other utilities—if we are thinking of it as a utility—the Government agree or mandate a capital investment programme, of which a yield is calculated for those semi-privatised utilities. They are not truly private. Should a similar model be adopted for this?

Lord Adonis: It effectively is, in that there are licence conditions and other means by which the Government and, in the case of digital infrastructure, Ofcom can enforce investment requirements on private companies. The question you perfectly correctly raise is whether those requirements should be greater: should they extend to a much-enhanced



universal service obligation? There is a powerful argument for it, and it is one that, as a country, we need to reach a decision on soon.

Q77 **Kit Malthouse:** Presumably, you have been looking at other models of delivery.

Lord Adonis: Yes.

Q78 **Kit Malthouse:** The chap from Korea this morning said that they were connecting remote communities, which would be of interest to me, with a large rural constituency, and no doubt our Scottish friends. They were doing it as part of their corporate social responsibility. Can we rely on that kind of largesse?

Lord Adonis: It certainly had not crossed my mind that we could get BT to fund all this through corporate social responsibility. It tends not to take such a generous view of its corporate social responsibility, but I will explore that option.

Q79 **Kit Malthouse:** Could I just ask you a little bit about power, in particular renewable energy? Obviously, the price of renewable energy has been falling because of technological development and wider-spread adoption, and therefore economies of scale. Do you think that, because of that, the Government should shift their targets, increase their targets and take advantage of the market?

Lord Adonis: The market is doing a brilliant job on this at the moment. Mr Graham was giving me the most recent figures when we were preparing for appearing before you. Apparently, in the second quarter of 2017, a third of energy was generated from renewable sources, up from a quarter in the first quarter. It is dramatically increasing. The latest figures for the auction for offshore wind, as you know, have seen prices halve in the last few years, down to £52 a kilowatt hour, I think. It is dramatically falling, which is fantastic for investments that are being made in renewable energy, and it makes a case for being very bold in respect of renewable energy. I think that the market is going to respond accordingly.

If I could just make a comment on it—because I know that this is an issue that is very live in Scotland at the moment—there is broad consensus behind offshore wind, and big investments are being made there. In respect of onshore wind, where onshore wind has not been allowed by the Government to enter the competition for contracts for difference, I know that the Government of Scotland are very keen that it should be able to do so. Although onshore wind has been controversial in parts of England, in Scotland—I know particularly in parts of the Highlands and Islands—there is some enthusiasm for more onshore wind.

In the report that we published last month, we said that we thought, in principle, it should be up to the Governments of Scotland and Wales and regional authorities as to whether they wish to take forward onshore wind



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projects, which could be delivered a lot more cheaply than alternative generator capacity. I hope that the Government will take that forward.

Q80 **Kit Malthouse:** Your general view is that we should be using more wind.

Lord Adonis: Yes, where there are very strong market reasons for doing so, as there clearly are now as the price is falling dramatically.

Q81 **Kit Malthouse:** As we leave the European Union and look towards our own customs arrangements, presumably that will also have a big impact on, for instance, solar.

Lord Adonis: Yes, absolutely.

Kit Malthouse: There are large tariffs on solar panels that come into the EU to protect the solar panel manufacturing industries of Germany, but Chinese solar panels, for instance, are significantly cheaper.

Lord Adonis: The economics of solar power have become dramatically more favourable in recent years, and the lower the costs, the higher the take-up. That is wholly to be welcomed.

Q82 **Kit Malthouse:** One of the issues with some of these renewable sources of power is the intermittent power generation, and therefore the storage of power becomes increasingly important. There is obviously a consensus growing around the development of battery technology, which is, I suppose, an avenue that must be pursued. We have the Faraday programme and all that kind of stuff, but there is another power vector that is seemingly neglected in this country, although not elsewhere, which is hydrogen storage and the use of fuel cells. Is it your sense that the Government have left this technology as a kind of Cinderella technology, compared to batteries, where there is obviously a huge lobby for it?

Lord Adonis: As you say, the Government have been very open to the development of battery and storage, and one of our early reports was on smart power. We strongly recommended that. In terms of hydrogen, there is development work taking place on hydrogen and fuel cells. I know that, in the case of road and rail travel, quite a lot of work has been done by research bodies on it, so I do not think it is being held back by the Government. It is an issue of the state of the technology.

Q83 **Kit Malthouse:** Well, there are other countries where they are significantly more advanced on this. The Germans, given their decision on nuclear, have been pumping a lot of money into research and installation of hydrogen refuelling across the country. The Japanese and South Koreans are also more advanced. The Koreans are building enormous factories to generate millions upon millions of fuel cells, because they see this as the way forward. A strategic decision has been taken elsewhere that differs from that of the UK vis-à-vis batteries. Have you looked at that at all?



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Lord Adonis: Well, it is not just vis-à-vis batteries, of course. The decision that we have taken is also vis-à-vis nuclear as well, is it not?

Kit Malthouse: Not in Japan and Korea, no.

Lord Adonis: No, but in our case.

Kit Malthouse: The Germans are having to look elsewhere because of their decision, as are many countries across Europe. There is really only one nuclear nation in the EU, and that is France.

Lord Adonis: However, we have taken the decision to continue having a significant baseload with nuclear, so our position is somewhat different.

Q84 **Kit Malthouse:** That is true, but the storage vector still matters, and we seem to be, in this country, significantly preferring the battery over hydrogen and the fuel cell. Is that a concern?

Lord Adonis: I think we should be led by the cost-effectiveness of technology, not by seeking to pick winners in advance. I hope we will be learning lessons from leaders elsewhere.

Q85 **Kit Malthouse:** This is VHS versus Betamax. Everybody went for VHS because it was cheap and available, whereas Betamax was the better long-term technology, but, anyway, they are both distant memories. We will see. My general view, for what it is worth, is that the battery on its own will be like the fax machine: everyone will have one, and then suddenly no one will have one because the fuel cell will come along. I am anxious that the country should leapfrog ahead.

I just finally wanted to ask you a little bit about nuclear. There has been some concern about our withdrawal from Euratom, not a concern, I have to say, that I share, but one thing that it has exposed has been particular vulnerabilities or gaps in our nuclear infrastructure. For instance, one of the big concerns—alarmist though it may be—has been about our ability to acquire medical isotopes, because we do not have the right kinds of reactors to produce those things. This is critical for our future life science industry, and I have no doubt that we will procure them from overseas and we will have no problem doing that, but this is the kind of infrastructure that we should have here, is it not? Our withdrawal from the warm embrace of Euratom has exposed our lack of these infrastructure items.

Lord Adonis: That is not an area that we have been asked to look at, so I am not qualified to give a view to the Committee on medical isotopes and medical infrastructure, although it is hugely important to the country. It is just not within our remit.

Q86 **Kit Malthouse:** You would not look at the full span of our nuclear infrastructure to say, "Is this appropriate now to support the development of science and industry into the future?"



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Lord Adonis: Maybe we should be asked to do so, because I fully accept that it is a very important national priority, but it is not something that we have been asked to do.

Q87 **Kit Malthouse:** The development of small, distributed nuclear power generation is going to be a huge market in the future, and we currently are nowhere. The Chinese are all over this.

Lord Adonis: Well, we can look at that, because that is power generation. The small, modular reactors could be a very significant source of power generation in the next generation, so that is certainly within our terms of reference, but the potential medical benefits of nuclear infrastructure are not.

Q88 **Kit Malthouse:** Well, it is not so much medical as industrial, because it sits at the base of what you are able to do in life science research. Everybody thinks that nuclear is just about power generation, but it is actually fundamentally about lots more than that.

Lord Adonis: I understand.

Kit Malthouse: The question is whether you would absorb that into a general look at our nuclear architecture, given that the veil of Euratom being removed will expose what we are really like.

Lord Adonis: We have not been asked to do so, but if you were to recommend that I would take that advice to heart.

Kit Malthouse: I would personally recommend it, but it is probably above my pay grade.

Chair: We hear that request.

Q89 **Stewart Hosie:** Before I come on to some questions about Brexit, I was struck by what you said about wind generation. I hope that, if the commission were to make a recommendation or use whatever soft power—as I think you described—that you may have, we can finally have the National Grid stop the £23 per kilowatt charge to connect to the grid in the north-west of Scotland, against a £7 or £8 per kilowatt hour subsidy in the south-east. That would make the economics of green energy much more effective.

Lord Adonis: Point taken.

Q90 **Stewart Hosie:** Is there a reason why the commission, to date, has not produced a report on infrastructure focusing on preparing for and dealing with the consequences of Brexit?

Lord Adonis: Well, we have not been asked to do so. If the Government were to ask us, we would be very happy to do so. You may then go on to ask, "Should you do so on your own initiative?" That is not a decision that we have looked at so far, because it is not clear at the moment what form Brexit is going to take. Until it is clear what form Brexit is going to



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take, it would be very hard for us to look at the infrastructure implications of it.

- Q91 **Stewart Hosie:** I will come to the forms of Brexit in a moment, but just let me be clear—because you spoke earlier, Mr Graham, about the independent decision-making in terms of your workstream—that there is nothing in your remit that would prohibit you from doing that.

Lord Adonis: No, we would be able to do so.

- Q92 **Stewart Hosie:** Some members of the Committee may disagree, but I think that would be a very sensible thing to look at, given that beefing up the infrastructure might be an important way to mitigate some of the potential downside of Brexit. In the interim national infrastructure assessment, it says that, to inform your assessment, you modelled various scenarios to account for the high levels of uncertainty that surround the decisions that need to be taken over the next 30 years. Does that scenario analysis extend to different forms of Brexit, or has Brexit simply been parked for the time being in the work you have done?

Lord Adonis: I do not think it would be useful for us to engage in assessments of hypothetical situations at the moment. That could be a very unproductive use of our time. Once it is clear what form Brexit is going to take, which I assume will be next summer or next autumn, at that point, we will need to pay close attention to infrastructure requirements.

- Q93 **Stewart Hosie:** I suppose the difficulty I have with that answer—it is very sensible; I am not criticising the answer—is that, should infrastructure be a part of the mitigation, next summer or autumn will be far, far too late to start thinking about it. Let me ask: have you seen any of the Government's Brexit impact assessments?

Lord Adonis: No.

- Q94 **Stewart Hosie:** None at all?

Lord Adonis: No.

- Q95 **Stewart Hosie:** Have you requested to see them?

Lord Adonis: No.

- Q96 **Stewart Hosie:** Given that they are sectoral, and one might assume that this would involve construction of telecommunications, air travel or port capacity, do you not think that it might be prudent to ask to see them?

Lord Adonis: I think that the Government have said that they are going to make either the reports or the information available.

- Q97 **Stewart Hosie:** They are going to make information available to the chair of the ExEU Committee, which is useful and will allow some questioning, and of course all this stuff will leak, depending on what is published. I know that it is going to be the subject of an Urgent Question



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in an hour's time, but that does not really answer the question. Do you not think that it might be prudent for the commission to understand what the Government think might happen?

Lord Adonis: If the Government were to ask us, in advance of concluding their negotiations in Brussels, to look at specific infrastructure issues relating to Brexit, we would of course do so. However, they have not asked us to do so yet, and I do not think it would be a productive use of our time to engage in hypothetical scenarios.

Q98 **Stewart Hosie:** Would it be helpful for this Committee, if the Chair of the Committee were so minded, to recommend to the Government that they made these things available to the National Infrastructure Commission? Would that be a productive thing for us to think about?

Lord Adonis: I take recommendations from your Committee extremely seriously, and I know the Government do too.

Q99 **Stewart Hosie:** That is very helpful. One of the chapters in the interim national infrastructure assessment is devoted to the financing and funding of infrastructure. You highlight that the European Investment Bank invested £35 billion in the UK between 2011 and 2015, which you say "was generally provided at cheaper rates than could be obtained by infrastructure operators from other sources of finance". Do you foresee the costs of financing infrastructure projects increasing if the UK no longer has access to loans through the EIB? This is quite important.

Lord Adonis: It is not clear yet that that will be the case. The Chancellor has said that all options are on the table in respect of the EIB, including some form of continued or associate membership of the EIB. I am glad that that is the case, because, in terms of the funding of infrastructure, the role of the EIB has been important. If we could continue to benefit from EIB financing, that would be a good thing. If it is not going to be possible—this is a matter for the negotiations, as I understand it, at the moment—having substitute arrangements that are as good as the EIB will be important for our national infrastructure.

Q100 **Stewart Hosie:** Those substitute arrangements might include the creation of a UK infrastructure bank.

Lord Adonis: They might, yes.

Q101 **Stewart Hosie:** What would you see as the advantages or disadvantages of trying to create a UK infrastructure bank?

Lord Adonis: The advantage could be that it enables us to substitute for the EIB, but, if all we do is stand still, it would be a great pity if we have to make big national reforms and investments simply to replicate arrangements that are perfectly good at the moment. That is why I am delighted to hear the Chancellor say that he is looking at all options in respect of the EIB, including some form of continued associate membership, which might mean that we can still benefit from funding from EIB sources.



Q102 **Stewart Hosie:** If it made the mechanism for applying for funds unchanged, that would not build in new obstacles, hurdles or things that institutions had to learn, which would be helpful. Can I go back to the UK infrastructure bank? Assuming that some associate membership model did not work, or could not be made to work, would the infrastructure commission have a role in the establishment of such an infrastructure bank, should that be the direction that we went down?

Lord Adonis: We would not have a formal role in its establishment, but one of the issues that we are looking at and will be reporting on in the national infrastructure assessment next summer is the financing of national infrastructure, and that will include the existing role that is played by the EIB. We will have more to say on this subject.

Q103 **Stewart Hosie:** That is extremely helpful. Just one final point on this: the head of the EIB said that for the UK to create a credible replacement from scratch, such as the KfW model established in Germany, would take at least a decade. Do you agree that that could be the timescale we were facing should an alternative be required, using that model? That was the model that they suggested.

Lord Adonis: I am delighted that the Chancellor is exploring all options, including continued membership or associated membership of the EIB. That would be the most frictionless way of continuing to see that this funding is available.

Q104 **Stewart Hosie:** I think we have got that message, and it is quite an important one that we will all take back to our constituents. It is useful for you to emphasise it again.

You also identified in the interim national infrastructure assessment that private financing is important in the delivery of infrastructure, and that has been said previously today. How has the current climate of uncertainty affected investment decisions in relation to infrastructure more generally? Are we seeing projects delayed or put on hold because of the economic climate, the uncertainty of Brexit and the unknowns?

Lord Adonis: I am not aware of projects where that is the case, although Sir John might have a view on the private sector.

Sir John Armitt: I believe that there is very little on the agenda at the moment, bearing in mind that we are talking about transport and flood defence, fundamentally. Are there several PFI opportunities out there at the moment in transport, particularly in road? No, not that I am aware of. The last one that was signed was Mersey Gateway, and that was in 2014, I think.

The issue for the private finance industry is always one of: "Show us the pipeline", and, at the moment, there are bigger pipelines elsewhere in the world. There are much faster rates of completion on projects that come to bid requiring private finance elsewhere in the world, so why would you



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sustain a team of skilled people in the UK, pursuing the odd project that may fall from the table?

The difficulty is that, in this country, we do not provide any real easy means of recovering the investment, unless we are going to have hypothetical tolling on roads that might be built. If we move to road pricing in a much more widespread way, which most people would predict is almost inevitable in the UK at some point, that is likely to open up the opportunity for more private sector investment. For the private sector investors, the key thing always is that they are looking for consistency of approach, projects that are actually fundable, and a pipeline of projects. Without those, you are not going to see a great deal of action.

Q105 **Stewart Hosie:** That leads me to my final question. It is quite worrying that the Mersey Gateway was the last substantial one, as you have described. With the huge amount of effort going into nuclear at Hinkley and HS2, surely it should be your job to say that the Government will need a firm pipeline of fundable projects.

Lord Adonis: We do say that, and part of the justification for the national infrastructure assessment is to see that there is a firmer and longer pipeline of projects. I entirely agree with that.

Q106 **Stewart Hosie:** When you say that to them, what has been their answer?

Lord Adonis: They have been positive. Indeed, it is not just the establishment of the National Infrastructure Commission that is a testament to that, but also the Infrastructure and Projects Authority, which is another important institution that the Treasury sustains. That is the guardian of the pipeline, and it advises government departments and delivery agencies on taking forward and accelerating delivery of the pipeline. Tony Meggs has appeared before you, has he not? He has certainly appeared before the Public Accounts Committee. He heads the Infrastructure and Projects Authority, and that plays an important role here too. The Treasury has been very alive to the need to have better infrastructure planning and better infrastructure delivery arrangements.

In your point about Brexit, though, the critical issue is that the Government should not delay in taking infrastructure decisions because of Brexit. If I can come back to Heathrow, with Brexit coming down the track, it is all the more important that the Government do not hold back the delivery of vital port infrastructure for the country. It is going to be even more important after Brexit, where we are seeking to develop trade with the wider world.

Q107 **Chair:** That is the one final question that I was going to ask, and you have led us into that. Last week, we had evidence from Sir Amyas Morse, who is the head of the National Audit Office, and he was talking about the prioritisation of work and projects within Whitehall because of the substantial demands being put on civil servants across government by



Brexit. I wondered if that also reflected what you had seen. It sounds to me as if you do have concerns. You have mentioned one big project in Heathrow, but are there others where you are concerned that, if I might paraphrase it, the oxygen in Whitehall is being sucked up by Brexit, and therefore there is not the brain space to deliver on these other projects?

Lord Adonis: My concern is not about Whitehall. Whitehall is behaving in a thoroughly professional manner, and the work that is needed to prepare for state infrastructure decision-making is taking place. The critical issue is an issue of government and Parliament: that Ministers do not delay in taking decisions. It seems to me that it is absolutely vital that, while we have Brexit taking place, there is not a delay in taking other crucial decisions.

To my mind—I put this strongly to the Committee—the acid test of that is a decision on Heathrow, because that is the single most important piece of national infrastructure in respect of trade in the country. More goods by value go through Heathrow than any other port, including Dover. I might suggest for your consideration that seeing that a timely decision is taken in respect of Heathrow in the first half of next year is an acid test of whether the Government are serious about ensuring that our infrastructure keeps pace with decision-making on Brexit.

Q108 **Kit Malthouse:** I just have one question that occurred to me, which was about whether you have done any work on funding models. The straight PFI is not something that, as far as I can see, any sane politician would participate in, on the basis that the Government can always borrow money more cheaply than the private sector, so why would you use somebody else's balance sheet when you can use your own?

There are some areas where it might be possible for projects to get underway that may not otherwise do so. One of them is rail, and the ability for investors, public or private, to participate in track charges might enhance significantly the amount of money that goes into rail. If you look in my constituency, for instance, there is a possibility of us putting a passing place on the Salisbury line, which would allow us to get a lot more local services and get more direct services—the mainline services—through faster. At the moment, that would be nowhere in the current funding model.

Now, if investors could come in, it might be that local authorities would share the track charges. That could accelerate that project. We looked at this, when we were at City Hall, on the line to Cambridge that is dominated by Stansted, and whether we could open up traffic in Tottenham by putting in two tracks rather than one. The LEP put some money into that, but we got lost in whether we could get a return. Are you looking at any of those funding models?

Lord Adonis: We are, and we think there could be a lot of value in them. Indeed, that was a key part of our recommendations in respect of London, because we see that there is huge potential there, but you are completely right about the potential elsewhere. I know that line well,



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because you have the big problem of single-track sections, which is a massive obstacle to traffic and leads to huge delays when one train gets stuck or is running late. Finding new models of bringing local, as well as national, finance to bear is very important. The Secretary of State for Transport is keen to explore the avenue for new funding models in respect of Network Rail. You could have a very productive conversation with him about this subject.

Q109 **Chair:** There is the Hansford review on contestability, is there not?

Lord Adonis: Yes.

Q110 **Kit Malthouse:** You would find public sector pension funds, for instance, quite keen to invest alongside Network Rail, if they could get a return on the investment. A nice, steady return on a passing place outside Basingstoke would be great—not to push my own corner.

Lord Adonis: This is an important element in terms of infrastructure. A big issue on the contestability in respect of Network Rail is whether other people could do the work more cheaply. Network Rail is not the cheapest infrastructure provider in the world. I was very struck in respect of Crossrail, which you will know well from your London days, that Canary Wharf built the new Crossrail station at Canary Wharf a great deal more cheaply than other stations that were being built by Crossrail. Sir George Iacobescu is very eloquent on the case for having alternative providers of infrastructure, as well as standard public authorities. There could be a lot of mileage in that in future.

Chair: You have given us plenty of food for thought this morning. We look forward to having you in front of us again—you might not—when you publish your final assessment. Thank you very much indeed for your clear evidence to the Committee this morning.

Lord Adonis: Thank you, and I much look forward to appearing before you again next year. It has been a highly productive conversation.

Chair: Thank you, Lord Adonis; thank you, Sir John; thank you, Phil.