

Treasury Committee

Oral evidence: Infrastructure Development in the UK, HC 476.

Tuesday 14 May 2019

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Members present: Nicky Morgan (Chair); Rushanara Ali; Colin Clark; Mr Simon Clarke; Charlie Elphicke; Alison McGovern; Catherine McKinnell; Wes Streeting.

Questions 111 - 216

Witnesses

I: Sir John Armitt, Chairman, National Infrastructure Commission; Philip Graham, Chief Executive Officer, National Infrastructure Commission; Matthew Vickerstaff, Interim Chief Executive Officer, Infrastructure and Projects Authority; and Stephen Dance, Director of Infrastructure Delivery, Infrastructure and Projects Authority.

Examination of witnesses

Witnesses: Sir John Armitt, Philip Graham, Matthew Vickerstaff and Stephen Dance.

Q111 **Chair:** Good morning and thank you very much to our four witnesses for being here today for this session on infrastructure. I am going to ask you all briefly to introduce yourselves. Then we have a series of questions, and hopefully we can have a good exchange of views. Mr Graham, perhaps we could start with you.

Philip Graham: My name is Philip Graham. I am the chief executive of the National Infrastructure Commission. I run the team of civil servants and secondees who support the commissioners themselves.

Sir John Armitt: I am John Armitt, chairman of the National Infrastructure Commission.

Matthew Vickerstaff: I am Matthew Vickerstaff, interim CEO of the IPA.

Stephen Dance: I am Stephen Dance, head of infrastructure delivery at the Infrastructure and Projects Authority.

Q112 **Chair:** For the benefit of those watching—and there will be people watching—can I just ask Mr Graham and Mr Vickerstaff to explain the difference between the National Infrastructure Commission and the IPA, and what you do? Mr Graham, perhaps we can start with you.

Philip Graham: At the highest possible level, the National Infrastructure Commission is responsible for the “what” and the IPA is responsible for the “how”, as it were. We are an independent body. In formal terms, we are an executive agency of the Treasury, but we have a charter that explains how the relationship between ourselves and the Government works, and that says that the commissioners work within a remit set by the Chancellor. They ask us what projects to look at, but within that we have complete discretion as to the recommendations that we make, the methodologies that we follow and the content of our publications and so on. Our remit is to set priorities for long-term infrastructure strategy for the UK.

We do not look at existing infrastructure policy. We do not look at something like HS2 and consider whether it is a good idea or not. That is what the Government have decided to do, and that is effectively part of the baseline for us. Our job is to think, “If that is the current infrastructure policy map, what do we need to do next?” While we do not get into the detail of how individual projects are delivered—and there is inevitably a bit of an overlap in the Venn diagram between the “what” and the “how”—we do look at the broader strategic questions of issues like infrastructure finance.

Q113 **Chair:** I know we will come back to that. Mr Vickerstaff, perhaps you can



tell us how the IPA does the “how”.

Matthew Vickerstaff: Our core purpose is to improve delivery of the Government’s projects. We aspire to be the best-performing project delivery system in the world. The “how” is all about delivering our core priorities, which are setting up projects for success, creating market confidence, building delivery capability, and improving, monitoring and measuring performance.

In terms of “how”, unpacking that a little bit, and in terms of setting up projects for success, we have a number of levers and initiatives that we implement, such as project route map initiation. We have an early development pool. We are focusing very much on the spending review at the moment. It is all about setting up projects for success.

In terms of creating market confidence, you will be aware that we have an annual report where we publish the Government’s major projects portfolio. That, as it were, for the market, is an addressable market that they have the opportunity to bid in terms of the construction pipeline.

In terms of building capability, we look after the Government’s project delivery profession—that is around 12,000 individuals in the civil service who focus on delivery projects. We have a number of activities involved in helping those individuals to learn and be capable project delivery professionals. In particular, we have the Major Projects Leadership Academy with Oxford Saïd Business School. We have the project delivery virtual academy that we run with other departments.

On improving and monitoring performance, we have a number of initiatives, such as benchmarking. We recently commented on that and had a report on it. I am just giving you a flavour of the types of activities that we undertake.

Can I just say, though, in relation to our relationship, that I look at this as a kind of journey? We started back in 2010 when IUK—Infrastructure UK, as it was at that time—published the first national infrastructure plan. In 2011, the Major Projects Authority was created. In 2014, we started publishing the Government’s major projects portfolio. In 2015, NIC was created. Then, in 2016, the MPA and IUK actually merged.

We are totally focused jointly on infrastructure spending delivery. We are totally on song with the Chancellor’s commentary, which he made to this Select Committee. Infrastructure investment builds productivity and improves spatial rebalancing within the UK.

That is what we are jointly doing. We have an open dialogue. We have distinct but very much joined-up roles.

Q114 **Chair:** That is obviously very helpful. One of the things we will be probing, which this and other Select Committees are interested in, as is Parliament, is the importance of infrastructure as well as whether it is happening on time, whether it is happening within budget and whether it



is happening at all. Where are we positioned in relation to the rest of the world? Those are all questions that we will cover this morning.

Sir John, you will remember that, when you were before us back in November 2017, sitting alongside you was Lord Adonis. Of course, in the course of 2017, the NIC lost both Lord Heseltine and Lord Adonis thanks to the vagaries of Brexit. Mr Graham, you talked about the NIC being independent. Sir John, as chair, do you want to comment on the fact that to lose one chair might be considered unfortunate, but to lose two raises the question of what is going on in terms of people having to resign because they have expressed views that stop them chairing an independent body? What I am getting to, really, is the question that we have asked before: is the NIC set up in the correct way? It is not set up in the way that it was planned to be.

Sir John Armitt: There have probably only ever been two ways to set up the NIC: one is a statutory body and the other, of course, is, as we are, an agency of Government, fundamentally, albeit independent. The Government had their own reasons, in terms of parliamentary time and so on, for not having time to take a Bill through to make us a statutory body, and so we are what we are. I have always held the view that it is somewhat academic because the Government can ignore us either way. So long as the Government are taking note of what we say and are, hopefully, broadly accepting our recommendations, then, frankly, whether we are statutory or not is of secondary importance.

Andrew and Michael's situations were quite simple. That is politics, frankly. It is up to the Government to take umbrage if they feel that people who they are paying and who are employed, in a sense, by them to be part of an agency are going out too heavily in their criticism of Government, not on the subjects that they are meant to be covering but on other subjects. Perhaps one should not be too surprised if they say, "This is an unsatisfactory situation, and we would rather you stepped down."

Q115 **Chair:** Obviously you are now chair in terms of future development of the NIC. Will that affect how you speak out? You wrote a letter to the Chancellor last week about national infrastructure, and I want to come on to the strategy. At the back of your mind, are you thinking, "If I am too outspoken, I too might be asked to stand down"?

Sir John Armitt: No, not at all. We are addressing an issue where we are wanting to—and we are quite clearly seeking to—bring pressure to bear on the Treasury. They have an extremely difficult task in creating a national infrastructure strategy in nine months. We spent three years doing a national infrastructure assessment, so they have a challenge. There is clearly a danger that their response will be, in a sense, what I might call a classic Government response of warm words, restatement of announcements already made and, "Yes, we agree with this and we will do everything possible to take this forward. Thank you very much."



HOUSE OF COMMONS

That is meaningless. In a sense, what we are saying is that, for this to be a proper response, we want to see a much harder-edged response in the strategy, that actually sets out what the Treasury is going to do in what timescales and that it is willing to make money available for those objectives. One of the more radical proposals we have made, particularly for a Treasury Department, is that there should be more devolution of funding to city Mayors and city regions to actually have much more funding available to them to make their own decisions about their own critical infrastructure, rather than being at the mercy, in a sense, of the Treasury.

Q116 **Chair:** What was behind the timing of the letter? You sent it last week.

Sir John Armitt: We expect the response from Government, as has been stated by the Treasury, to be in the autumn. Therefore, we are, quite frankly, wanting to make the wider infrastructure community aware of what is happening. We are not the only ones who are talking about this, but we would like to see others understanding what it is that we are expecting from an infrastructure strategy and able to pick that ball up and run with it if they wish.

Q117 **Chair:** The letter is public. Does it reflect a frustration with how private conversations are going?

Sir John Armitt: No, it reflects our independence. As an independent body, we feel able to actually make these statements without going along and saying to a Government Department or to the Treasury, "Do you mind if we do?"

Q118 **Chair:** You are absolutely right that infrastructure is of great interest to the public and to potential investors. There have been a number of stories about infrastructure in the last few weeks, and there will continue to be. One of them, obviously, is about Huawei and the interests in that. Do you have a particular view? Does either of you have a particular view about who invests in infrastructure?

Sir John Armitt: Personally, I am a free market supporter, and at the end of the day it is important that we use the best material that is available for whatever we are doing and building. If that is coming from overseas, then we should use it; we should adopt it. If British companies are not able to keep up with what is being done by other countries, that is a lesson to learn in the private sector—to get their act in gear and to make sure that they are able to deliver better technology. We should not deny ourselves the best technology. Clearly, BT and others have been utilising Huawei's technology for some considerable time and, as they say, it is firmly embedded in our existing networks. If there are considerations about national security, then clearly the Government should, as they have done, take the best possible advice from their experts about any risks that there might be in that respect.

Q119 **Chair:** Another story that came out was about the emergency services network, which is several years, or at least some time, out of date. Mr



HOUSE OF COMMONS

Vickerstaff, is that something that concerns you?

Matthew Vickerstaff: Can I just come back on foreign investment? If you look at the construction pipeline that we deliver, that is £600 billion over the next 10 years. Around 50% of that is to be financed by the private sector. That includes UK pension funds, banks, investors and infrastructure funds, as well as foreign investors. We are absolutely pro. That is a slightly separate issue from the security issue, on which I agree with Sir John's comments.

ESMCP, as you have noted, is a project that is on our GMPP—the Government major projects portfolio. It is something that we have been monitoring extremely carefully for a number of years. It is a very complex project. It is the shutting off of Airwave, which Motorola owns, and creating the new emergency services communication programme for all emergency services. The complexity involved in ensuring that emergency services are able to communicate on a push-to-talk while also using new technology in terms of digital is very high. If we look at all of our projects across the GMPP, it is at the more challenging end.

The Home Office is working extremely closely with the main suppliers on the project and programme. As the NAO's report said, it is proving very challenging and is going through iterations. The Home Office has a real grip on the project and is delivering it, but there is a full business case to be delivered at the end of this year that will finally lock down the arrangements for final delivery and to replace Airwave.

Q120 **Chair:** We will obviously come on to some of this. The reason projects are on the MPA list, the GMPP list or whatever we are calling it is because they are challenging. If they were simple and straightforward projects to deliver, you would leave them to Government Departments and civil servants who were not specialists. Mr Dance, you are nodding your head. Would you agree with that?

Stephen Dance: I would indeed. The GMPP project list has got slightly smaller over the years.

Q121 **Chair:** Is that because things have been taken off for being too challenging?

Stephen Dance: Things have been taken off not because they are too challenging, Chair, but because they have actually been completed, we are pleased to say. They have also, therefore, focused on some of the much more challenging ones—not just the one that you have mentioned, but obviously in other sectors as well.

Q122 **Wes Streeting:** Good morning. I have a whole series of fairly specific issues to rattle through, so I will try to be succinct, and I would appreciate it if I could have succinct answers too. I will begin with the IPA. In your last annual report, 36% of the Government major projects portfolio projects were rated "amber" or "red"—twice as many as in 2013. Could you explain why there has been a decline in the Government's



performance in its portfolio of major projects?

Matthew Vickerstaff: I am happy to take that one. We have slightly touched on that with the Chair's previous comment, but I would add that part of this is to do with the parliamentary cycle. As you go through spending reviews, there tend to be more projects that come on to the system. The other thing is that 26 projects actually came off in 2018, as they go through their life and are successfully completed and delivered.

Overall, because of that parliamentary cycle, projects coming off and the fact that you are taking a snapshot in time, we should not read too much into the fact that there are now 133 projects versus the 190 that you identified in the first place. Projects do continuously come off and also go on.

Q123 **Wes Streeting:** That is understood. Let us look at some specifics, and I will certainly come back to the issue of the impact of politics on infrastructure planning and delivery—there is definitely something to be said there. Let us turn to Crossrail and Thameslink. They changed from "green" to "amber" status in the 2018 annual report. Why was that?

Matthew Vickerstaff: I can give a global answer. What we carry out at the IPA is assurance reviews and a stocktake of projects, which is a deep-dive discussion interview process with those people who are responsible within the Departments, as well as market suppliers who are responsible for delivering the project. On both of those projects, they were making good progress for a long period of time, most notably Crossrail in terms of its civil engineering. Then, as it went into a phase of systems integration and the operational responsibilities of the operator and the systems provider and the rolling stock, it became more challenging. The review that we did at the end of 2017 highlighted many of those facts, which is why it switched to "amber".

Q124 **Wes Streeting:** As a London MP, I am very familiar now with the issues around signalling and some of the operational issues that you have just touched on. However, a recent KPMG analysis indicated that there were serious governance failures of Crossrail. Do you agree with this analysis? Did you spot these governance failures, if you do agree with the analysis, and attempt to rectify them?

Matthew Vickerstaff: There is a KPMG report, absolutely, but we, with DFT, have been doing quite a lot of analysis, as you would expect, about lessons learned. We have identified 24 lessons, with five themes.

Q125 **Wes Streeting:** On serious governance failures, does your analysis with DFT align with what KPMG has said, or do you dispute what KPMG has said?

Matthew Vickerstaff: One of the key lessons to be learned, not just from Crossrail but from a number of our most challenging projects at the moment, is that behaviour and culture matter as much as process. We think that people have been very focused and fixated on process—



organigrams, risk registers, Gantt charts, et cetera—and making sure that the process has been followed, but they have not been dealing with some of the cultural and behavioural issues. I am not sure if culture and behaviour is exactly what you are referring to, but in terms of what information flowed and how the behaviours were operating in Crossrail, that is a real lesson learned for us.

- Q126 **Wes Streeting:** What do you mean by culture and behaviours? That can mean all sorts of things. That can mean staff bullying and harassment. It could be about the culture of decision making and openness to challenge. It could be governance, or it could be something entirely different. What do you mean by culture and behaviours?

Stephen Dance: Can I help to answer that? It is about the way in which information is given and the attitude of a delivery organisation in terms of its openness to discuss matters that are important to it. As Mr Vickerstaff has said, we have started to do a lot of work to look at exactly what that means and what the drivers of that are. However, at the heart of it is a risk that, by setting up delivery organisations to deliver projects, we set them up in a way that encourages them to look inwards and drive towards delivering that project, and to perhaps be over-optimistic about some of the things that they should be more open about, and we should be more open to listen to them. I would not characterise that as serious governance failures, but I would characterise it as a behaviour, and in terms of a culture of openness and sharing of not just good news but bad news, when it is there, that we all need to encompass.

- Q127 **Wes Streeting:** Just to give you an example from the KPMG report, they talk about reporting that represents a clear and transparent arrangement between the sponsors and CRL, as deliverer, which leads me on to another related issue. One of the issues with Crossrail is the extent of the cost overruns. Do you think that is because of the delivery of the project, or do you think there was insufficient challenge in terms of the initial costings of a big project like Crossrail? Are people turning up at the Treasury being optimistic to get the green light and then becoming more realistic when it comes to spending the money? Something is clearly going wrong because it is not just Crossrail, is it? When the public see a new national infrastructure project in the papers, whether it is Crossrail or the London Olympics, and they see the big-ticket figure that is promised and the optimistic joy of Ministers who are signing it off, everyone says that it is never going to cost that and that it will cost at least twice. What should we be doing at the initial stage so that we have realistic numbers at the point at which a project gets the green light?

Matthew Vickerstaff: One of the other lessons learned that we have identified is more around optimism bias, which actually is not a new lesson learned, to a large extent. It is around fixing unachievable dates at the outset—at the inception of the project. People say, “You should be delivering this project in December 2018,” when, frankly, at the time, the detailed analysis on the project, and especially the commissioning of the systems, was not really understood in enough detail. We do agree with



HOUSE OF COMMONS

you that it is concerning that there are cost pressures. That is partly down to good project management and cost estimating, as well as the environment at the moment. We are in a very febrile environment in terms of the construction world at the moment. It is very challenging, and we have a lot of extremely challenging and large projects.

If we reflect upon world analysis of cost overruns for rail—and this is not to say that it is admissible that there are cost overruns—Crossrail compares extremely well with world standards. The overruns for rail projects globally are in the 70s. You should remember that the Jubilee line extension had an increase of around the mid-50s and above. We have identified some lessons learned from Crossrail. One should not underestimate how challenging these projects are. I reflect that, actually, the civil engineering aspect and the tunnelling has been delivered extremely well. It is the systems integration and the technical challenge that the IPA and I feel are getting more challenging as we see more technology, and more complex technology, in our most difficult projects.

Q128 Wes Streeting: I just have one more cause for concern before I turn briefly to the NIC. In your 2018 report, a number of MOD projects, including the Astute-class submarines and air traffic management capability, shifted from “amber” to “red”. Why is the IPA pessimistic about the outcome of these projects? What are you doing practically to support the MOD in terms of the implementation of these projects?

Matthew Vickerstaff: As you can see, the two largest portfolios in our GMPP are transport and the MOD. The average life of those projects, for example for the MOD, is around 16 to 17 years. One should also underline the fact that defence spending in the UK, as we are meeting our 2% of GDP NATO commitment, has increased. There is a huge amount of expenditure going on in defence. I go back to my previous point in terms of technology and the innovation involved in some of those projects, such as aircraft carriers, the nuclear dreadnoughts and the submarine programme. These are incredibly difficult and complex projects, so we think it is actually not surprising that some of them are in the “amber” and “red” area.

The MOD has made huge progress in delivering projects. Its Modernising Defence Programme is improving its capability and delivering projects, but they are the most complex, together with the transport projects that we have touched on, across all of our GMPP.

Q129 Wes Streeting: In terms of my original question, where you have shifted the rating from “amber” to “red”, what will you be doing practically to support the MOD in the implementation of the projects?

Matthew Vickerstaff: That means our delivery confidence assessment has got more bearish. We have got more concerned, but we are providing a huge amount of support to the MOD. I talked about the Major Projects Leadership Academy. All of the senior responsible officers and project directors who are involved in GMPP projects go through that. The MOD



HOUSE OF COMMONS

has the most applicants for the course. We are training our SROs and project directors. We are also working across our profession with the MOD and creating better project delivery standards with the MOD to help support them.

Chair: Can we have brief questions?

Wes Streeting: I am sorry. It is quite a challenging section.

Chair: Yes, there is lots to cover—lucky old you.

Q130 **Wes Streeting:** I will try not to take up too much time. I will turn to you, Sir John, and the National Infrastructure Commission. There are a couple of things that I just wanted to pull out. It remains a source of surprise to me that social housing does not seem to be a feature of NIC. Surely this is a major part of our national infrastructure. Should this not be part of your ambit?

Sir John Armitt: That debate has been held on a number of occasions. The current position of the Government is that they do not wish us to focus on social infrastructure, as opposed to economic infrastructure. In a number of our reports already, of course, we have drawn attention to the fact that you cannot actually separate infrastructure from housing. The two are intrinsically linked. Classically, in our piece of work on the Oxford-Milton Keynes-Cambridge arc, housing is as big a challenge, with as many decisions, as any road or rail element of that project.

The reality is that housing continues to be one of those issues that the Government find easier to devolve to local decision making because it is so impactful on local communities and therefore difficult to direct from the centre. We can all have different opinions as to the decisions around the targets that the Government have in terms of the number of units per year.

Q131 **Wes Streeting:** Sure, but this is an issue of remit. I understand that. A cynic would say that they are passing the buck, and not just responsibility, but I would not put words into your mouth.

Finally, your monitoring report notes that the Government intend to publish a national infrastructure strategy. Do you have any clues on when we might see that? Have you had discussions with Government about when we can expect to see that?

Sir John Armitt: As has already been said by Matthew, it is, to a certain extent, inevitably tied up with the spending review and the autumn statement, so I would be surprised if we saw anything very far removed from the timing of the autumn statement. Either the strategy could be part of it, or it could come just before, or it could come just after, but it will be around that time, I would imagine.

Q132 **Wes Streeting:** Finally, the National Infrastructure Commission was set up with cross-party support, and whatever party political differences there were around the remit and the establishment of the National



HOUSE OF COMMONS

Infrastructure Commission, both parties were agreed on the importance of this to elevate national infrastructure projects above party politics and to establish the kind of long-term planning and delivery of national infrastructure that can sometimes be impeded by the to-ing and fro-ing of Westminster. In light of the reopened discussion on HS2—it is an issue not just of what Conservative leadership candidates are saying but of what the Labour Opposition are saying about what we might do in government—are you confident that national infrastructure has been elevated above party politics or partisan politics, as it really should have been? Are you concerned that we may be reopening decisions already taken, like HS2?

Sir John Armitt: I was not aware that HS2 had been reopened.

Wes Streeting: It might be. It depends on who you talk to and who wins.

Sir John Armitt: Clearly, in Government strategy or Government policy, it has not been reopened. The key thing is that we do get a consensus around these major infrastructure projects. That is part of our objective as the National Infrastructure Commission, in terms of creating a discussion and debate that enables that to take place. We are as interested in hearing from members of all political parties about their views as we are in hearing the Government's. However, HS2 is an entirely separate issue. We, as the National Infrastructure Commission, have supported it as a project and as being an essential ingredient in the continued development of essential infrastructure in the UK.

With infrastructure, there is always a risk that it becomes a political football. Part of our task as the NIC is to open up, as far as we can, the discussion and the debate, and to put as much information as possible out there that people can make sensible judgments on. Our information is deeply researched. It is an attempt to be the best possible rationalised analysis of the pros and cons of different aspects of our infrastructure and how it can be delivered, which we then put to Government. But then, at the same time, we expect there to be a proper political discussion around our recommendations.

Q133 **Catherine McKinnell:** Matthew, you were earlier referring to international comparisons. I want to explore further the UK's ranking in international comparisons in terms of the quality of our infrastructure. According to the World Economic Forum, we rank 11th out of 137 countries, but that is behind Germany, the USA and France. Even if the Government's plans for £500 billion of infrastructure projects are all delivered, it still only brings our investment to around 2.8% of national income each year, which is still substantially below the OECD's recommendation of 3.5% of GDP. Do you think we are doing enough to move up those international rankings and, if not, what do we need to do?

Matthew Vickerstaff: I was referring to our delivery, but I understand the question. The Chancellor is committed to spending up to 1.2% of GDP



on infrastructure. As we look at our national infrastructure construction pipeline—the £600 billion of expenditure on infrastructure planned to happen over the next 10 years—around 50% of that is financed by the private sector, so we have alternative delivery models in the UK using regulated asset-based models, as well as crowding in private sector investment.

The question of the amount of expenditure of GDP is not really for the IPA to comment on. That is a political, ministerial matter.

Q134 Catherine McKinnell: The question I asked is whether it is enough for us to move up the rankings. It is not a political question; it is a practical one about what we can deliver.

Matthew Vickerstaff: I would say that the Chancellor, in all of my meetings with foreign countries on economic finance dialogues, et cetera, focuses very much on infrastructure expenditure and improving productivity. I am not commenting on your absolute amounts or really giving a view on that, but he absolutely understands the importance of infrastructure investment and of that driving productivity.

Q135 Catherine McKinnell: The Chancellor has made very clear to us that that is one of his priorities, but are you not able to answer whether it would move us up the international rankings? Is that something that you can comment on, Sir John, from the National Infrastructure Commission? Are we doing enough to get our infrastructure up there in terms of our rankings?

Sir John Armitt: I would not take too much notice of international rankings. They are opinion polls; that is all they are—they are not a scientific measure. You can look at what different countries are spending as a percentage of their GDP, but that is not necessarily that meaningful either, because it depends on how efficiently and effectively that money is spent.

Q136 Catherine McKinnell: What is a useful measure of the quality of our infrastructure, Mr Graham?

Philip Graham: I was going to follow up on that. Unfortunately, in international terms, there is not a helpful agreed set. One of the things that we did through the national infrastructure assessment was to develop a set of metrics that might be used going forward to better measure things—so looking across all of the sectors for which we are responsible and trying to identify metrics for factors such as quality, resilience, environmental impact, et cetera, which might actually allow you to look not at measures of what people think of their infrastructure but at the quality of the services that it delivers. As John says, the World Economic Forum piece is, broadly speaking, a survey.

This is going to be a long-term process. We have populated that set of metrics. We have started to identify numbers against them for the UK through our engagement with the OECD. I have also started to talk to



HOUSE OF COMMONS

colleagues who are supporting the G20 in this area, and they are very interested in picking this up, because it is a problem that is recognised internationally. However, there is no simple way at the moment of comparing infrastructure quality against other things.

In terms of your other question about the level of infrastructure investment, my personal view would be that the proposal from the Chancellor, and the guideline we were set of 1.2%, if you look at our fiscal remit, deliver a very significant infrastructure programme over the next decade. We are talking about significant investment in HS2 and in expanding rail and road programmes and so forth. The real key is sustaining that and making it stable over the long term, and that is what allows the supply chain to build up. That is what allows projects to be delivered more efficiently. That is what allows cities such as Manchester, Leeds and so on to actually think long term about developing their infrastructure strategies. It is probably not the absolute number but the commitment and delivery of a long-term, sustained infrastructure programme at a sensible level that is absolutely crucial.

Stephen Dance: Could I follow through on that? I just want to emphasise the long-term nature of that commitment. For us in the IPA and in the delivery space, it is about smart investment as much as total quantum. We have put in place a long-term programme across Government, which is called Transforming Infrastructure Performance, which will be looking at, and is looking at, the way in which we join up bits of infrastructure. We integrate it, we use new technology, we look at the way in which projects and programmes are procured, and we start to apply benchmarking across different projects within the UK but also internationally, so that we can really get the best benefit outcomes from the investments that we do make. As Mr Vickerstaff has said, it is not for us to set what those limits are on customer bills or taxpayer input, but what we can do is see whether we can get smart investment to get the most out of it.

Q137 **Catherine McKinnell:** Different people will have different opinions of what a good outcome is from infrastructure investment, but I know that the Chancellor is very focused on increasing productivity through this. What evidence is there that the infrastructure that is currently proposed will have that effect?

Sir John Armitt: Let us just take, for example, the roll-out of full-fibre, which is something that we have recommended to Government, and which the Departments and Ofcom are supporting. Our ability to move large amounts of data between businesses and between individuals at a rapid speed is absolutely essential to the UK maintaining its competitive position in the world. It is the driver for 5G, and 5G is going to be the next technology in terms of digital communication and exchange of data. That will be fundamental to the efficiency of our businesses. When you see what has been written in the last few days or announced in the last



HOUSE OF COMMONS

few days by the major companies, everybody, including the Government and ourselves, is largely now singing from the same hymn sheet.

The improvements that are required in our transport networks, whether in rail, road or the smart motorway programmes that are in place, are all designed to ensure that our goods and services and our people move around the country as efficiently and as productively as possible, which will enable business and industry to be more productive and more effective. Infrastructure, at the end of the day, in that sense, underlies the ability of a country to, in fact, do its business. If we go back 150 years, the canals and the railways were for people to get their goods to market and to develop the economy of the UK.

Q138 Catherine McKinnell: Your role is to support independent analysis of infrastructure decision making. To what extent do all infrastructure funding decisions meet that requirement of boosting productivity? Are there some that are smarter than others, if you like, and to what extent are we able to make sure that the smart investment decisions are taken, rather than the politically expedient or attractive decisions? To what extent do we have that balance right? Also, in the current climate, the one thing that has not really been mentioned yet is the private sector investment aspect of all of this and the impact that Brexit uncertainty may be having on confidence in that area. Is that going to be covered?

Chair: We are going to come back to that.

Catherine McKinnell: Fine, okay. If the question I asked is not covered, I will come back to you on that.

Sir John Armitt: Can I make a point about the focus that we are currently making, quite rightly, on the economic and the productivity aspects? Our remit is not purely economic; it is fundamentally, yes, to ensure the competitiveness of the UK, but at the same time it is to ensure that we meet our climate change obligations, that we can in fact take climate change into account and that we do what we do to achieve a zero-carbon society, and that we create a social environment through our infrastructure that gives people better lives. It is not just about the pure efficiency arguments; there are these other aspects that have to be considered at the same time.

"Smart" is a word we use quite casually, frankly, to describe being better and improving the way in which we operate. In fact, smart has become synonymous with the digital world and with information exchange and data information. The smart motorway is one that is going to give us a lot more guidance and information about what lies ahead, to give us more choices as to whether it is worthwhile detouring and going on a different route. It will not be that long before, in fact, the car is being told by the sign on the motorway, "This is where you ought to go." At some point or other, we will not be making that decision; the algorithms will be. However, for the foreseeable future, we will still rely on us making the decision as to where we turn the wheel.



Philip Graham: Can I just make a couple of comments there? I was going to add to your question about what the infrastructure investments are that support productivity. There is good evidence that there are three parts of the country's transport system that are important for productivity: the international gateways and the access to the international markets; the intercity and inter-urban connections and access between cities; and the transport networks that enable those cities to work productively.

If we look at recent history and what is being planned for the coming years, there is significant investment going into our international gateways. We have seen big changes in our ports. We have seen changes in our airports. There is now progress being made on expanding Heathrow. We are seeing huge investment in our intercity networks, through the road investment strategy, Network Rail's work, the TransPennine upgrade and subsequently HS2 and Northern Powerhouse Rail, as well as the very significant progress in London.

Where we have seen a gap is in investment in the urban transport networks outside London. The transforming cities fund has been a bit of a step forward, but that is still quite short-term and is still relatively small. That was where we, as a commission, saw a gap in terms of making smarter investments over the longer term to drive that priority. That is why that devolution of funding and that extra £43 billion over the next couple of decades was such a core part of our recommendations.

Matthew Vickerstaff: Mr Dance mentioned our Transforming Infrastructure Performance. One of the key areas there is on smarter investment, particularly on modern methods of construction. In terms of off-site manufacturing, there is a huge amount going on in that area that is boosting productivity and rebalancing investment. Highways England has done a huge amount in that area in terms of off-site manufacturing of an aqueduct, for example. Heathrow is examining opportunities, again, to have manufacturing sites in the north to help deliver Heathrow.

The evidence basis is good for infrastructure. Investment does boost productivity, but it is also about how that is delivered. That is why, in terms of our Transforming Infrastructure Performance initiative, we were really focused on trying to boost that productivity as well.

Q139 **Mr Clarke:** On that note, may I commend the Tees Valley as a site for all infrastructure investment? Sir John, in terms of the relative share of public and private sector investment in different sectors, there are clearly some areas, transport in particular, where the private sector does not do as much as it otherwise might. When you appeared before the Committee in 2017, you told us, "There are much faster rates of completion on projects that come to bid requiring private finance elsewhere in the world." You specifically said that, as a 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." Should we, as a



HOUSE OF COMMONS

country, be providing more diverse opportunities for private sector investment?

Sir John Armitt: My personal view is that we should.

Q140 **Mr Clarke:** The corollary to that is to ask how.

Sir John Armitt: The challenge is always going to be an orthodoxy that says that money can be borrowed more cheaply by the public sector than it can be by the private sector. Therefore, if you are going to invest £100 million in something, it is cheaper to use £100 million of public money than £100 million of private money. However, that is only half the story. There is then the effective delivery of that £100 million investment. My personal view is that the private sector very often can actually deliver that more effectively than the public sector.

Financing, in a sense, is the easy part. The challenge is about where the revenue will come from and where the funding to repay that investment will come from. That, of course, becomes more political because, either way, the public pay. We either pay through our taxes or we pay as a consequence of paying the toll, the cost per kilowatt or whatever it is that we are paying to the private sector supplier. That discussion and debate does not get the airing that it should do. Largely, that debate is almost hidden from the public. There is still the Government's money tree that somehow has this bottomless pit of money available for health, education, infrastructure and anything else anyone can think of, when, in fact, it is the public's money that they are going to provide in one form or another. There is, to my mind, insufficient discussion and debate around that at the political level, quite frankly.

Q141 **Mr Clarke:** As well as honesty.

Sir John Armitt: And honesty. Let us open up the debate and give people the opportunity to understand the choices. Let us give people the choice of how their money is spent. It can be spent in either way, through the public purse or through the private purse. There will be, as we have seen, plenty of criticism of how the private sector operates at times in that respect, and, inevitably, there is always no shortage of criticism of any public sector organisation that does not get it quite right. There is a driver to contain costs and to achieve efficiency that exists in the private sector at a sharper-edged level than there is in the public sector.

Q142 **Mr Clarke:** I agree. In terms of other members of the panel, do you have views about countries to which we might look in terms of how they better accommodate private sector investment?

Matthew Vickerstaff: I am not sure about "better". If you are doing a global comparison in terms of attractiveness of places for internationals—sovereign wealth funds, international life assurance and pension funds, et cetera—and if you look at the weight of money that is being invested globally, every sovereign wealth fund pretty much, and every Canadian



HOUSE OF COMMONS

hedge fund or Australian hedge fund, which are the most well-funded pension funds, in addition to our own, has investments in the UK. If you compare the UK against international standards, it compares extremely well as a place to invest.

Q143 Mr Clarke: Could it still arguably do more to unlock inward investment from the private sector and sovereign wealth funds?

Matthew Vickerstaff: Sir John and I were discussing this outside. It is funding—funding is the revenue stream. It is often quoted that there is a wall of money out there. I am not sure how high it is, but I have a very good understanding of capital that is available. It is revenue streams that create good investment opportunities, which are what need to be put together.

Stephen Dance: There are some quite good examples. I would not want the Committee to go away thinking that we are not doing anything in this space. The Thames Tideway tunnel is an example of a separate regulated utility that is funded by Thames Water bill payers to deliver the London super-sewer. It is in construction at the moment. It had very competitive finance raising a couple of years back. The Mersey Gateway bridge is another example of where private capital and private finance have been used to deliver that bridge and road network. It is a tolled bridge, and I am pleased to say that the tolls are a bit higher than we thought they might be, so that has gone well.

Chair: I am not sure residents would agree.

Stephen Dance: Sorry, I did not mean the toll levels, just to be clear; I meant the numbers of people crossing the bridge, rather than the actual toll itself. Delete “toll”. I apologise for that.

Chair: That could be an unfortunate headline, but there we are.

Matthew Vickerstaff: We should admit that the IPA has a UK guarantee in place, so we are very interested in terms of the revenues.

Stephen Dance: I was just trying to paint a picture of the fact that there are some really quite good examples out there where we have been able, sometimes using the UK guarantees scheme in the background, and with Government support, but very much in the background, to attract and deliver some very impressive and, certainly with regards to the Thames Tideway tunnel, world-leading examples of delivery of infrastructure.

Q144 Mr Clarke: If we are a preferable destination, does that reflect that our margins on private sector investment in terms of returns are actually quite good?

Sir John Armitt: It is more to do with the certainty of the legal system.

Q145 Mr Clarke: We are not paying a premium for the investment in that sense; it is purely about the UK’s innate strengths.



HOUSE OF COMMONS

Sir John Armitt: People feel that the overall British system is one in which their money is more safely invested and, as I say, is subject to a strong legal and regulatory environment.

Matthew Vickerstaff: The Thames Tideway tunnel involves an incredibly low cost of capital, universally accepted by all investors because of how attractive it is.

Q146 **Mr Clarke:** Let us move on to some of the comments that the Chancellor made when he appeared before us. He said that, once a project is up and running and generating cashflows, that is actually a better phase at which to be getting private sector involvement, rather than at the development and construction phase. Would you agree with that approach and, in particular, do you see that there is a potential risk that that means that the private sector ends up reaping the benefits when the public sector has taken the development risk?

Sir John Armitt: It is a simple choice. Many investors see the construction phase as being high risk. I have always been slightly puzzled by that because it seems to me that the revenue stream can equally be high risk, as we have seen on the railways. Look at the challenge that we have seen recently in coming to any sort of conclusion on any future nuclear power stations. At the end of the day, the contract for difference price is one thing, but it is far more difficult to actually assess and judge the risk associated with the £18 billion or whatever of construction cost. Because of the nature of nuclear power in the past, people will be very circumspect about any certainty around that figure. Sharing that risk between Government and private sector investor is clearly a stumbling block. If, in fact, the Government were to build the nuclear power station, there would be no shortage of people queuing up to then say, "Let's buy it and operate it," given the potential certainty of the revenue stream and the reliability of their income.

Matthew Vickerstaff: From the IPA's perspective, the build-and-sell model is an option that should be considered. It does come back down to risk and reward. If the public sector is taking all of the risk and not being remunerated for taking that risk, that does not seem like a very good deal. It is an option that should be evaluated, as with a number of options.

Q147 **Mr Clarke:** That leads on to a natural discussion about PFI. In the Budget last year, the Chancellor effectively declared the end of the road—no pun intended—for that funding stream. Do you think that was an appropriate decision? Politically, it was a very popular decision, but was it the right decision in terms of actually unlocking investment?

Sir John Armitt: No. Inevitably it was a political decision. It was an understandable political decision, but the danger, as always, with so many of these sorts of judgments, is that we throw the baby out with the bathwater. There would be plenty of analysis, particularly done by Matthew's organisation and others, about where the weaknesses were in



HOUSE OF COMMONS

the forms of contract that were used for those projects. Where was the balance of risk? How was it established? What were the control mechanisms in place during the operating phase? We should always be wary about one or two failed PFI contracts or the fact that people are saying, "We did not realise our maintenance charges were going to be this high." Frankly, that is something that should have been addressed, but the trouble is that, at the early phase, everybody focuses on the capital cost of the hospital, the school or whatever it is going to be. While operating and maintaining it for the next 20 years is somebody else's problem, in actual fact more money will be spent in the operational phase of any building than is spent on the capital cost, and yet all the focus in these contracts is on capital cost.

Q148 Mr Clarke: There were, of course, more than one or two projects that went sour.

Sir John Armitt: They went sour in the sense that the operating cost became a lot higher than people expected. I do not really want to get into the detail of individual companies, but some of the companies that got into trouble got into trouble because of their construction contracts, not necessarily because of their PFI contracts. Those came down as a consequence of challenges that they had with more normal construction contracts, which had been underpriced and which were affecting their cashflow.

Q149 Mr Clarke: It is a failure to understand what they were signing up to, in essence.

Sir John Armitt: It is a failure to understand what they are signing up to on both sides. It was as much the public sector failing to understand the long-term implications of what it was signing up to as the private sector.

Q150 Mr Clarke: Mr Vickerstaff, did you want to comment on that from the IPA perspective? It is a contentious topic.

Matthew Vickerstaff: It is a contentious topic. PFI had become toxic. It is just worth observing that PF2 had not been utilised. Therefore, there were very few projects—six in total—that had utilised PF2. So it really had come to the end of its useful life. The fiscal complexities—decisions being made around off balance sheet treatment versus on balance sheet, the complexity of the contracts and the non-alignment of interest that Sir John has alluded to—meant the decision was taken by the Chancellor to retire it. Obviously, in the spring statement, we had the infrastructure finance review. The Chancellor is still pro private investment. As I have said repeatedly now, 50% of the £60 billion a year is being financed by the private sector. It is about whether there are any alternative, new models out there, which is one of the things we are looking to consult on in the infrastructure finance review.

Q151 Mr Clarke: Catherine will be angry with me if I do not mention the Brexit issue, in terms of the loss of access to the European Investment Bank, which is clearly a very significant source of potential funding that will be



HOUSE OF COMMONS

closed to us once we leave the European Union. I suppose it is a twofold question. First, which sectors stand to lose out the most from the closing off of that option? Secondly, as a corollary to that, should we be serious about establishing a UK investment bank? What form would you think that bank should best take?

Philip Graham: I am happy to take this. In terms of the sectors, I have to say I could not give you an exact answer. I do not have the detail on the exact numbers, but a fair amount of money has gone into water and into energy. Some transport projects have been supported. The crucial thing is the gap that is created if and when we lose access to the EIB and how that gap can best be filled. There are examples of Thames Water having received financing from the EIB. It is hard to say that there is a burning platform that says you need to create a public sector body to replace that. These are mature companies that are well set up. There is a private finance market there that would have been able to support that, if that EIB funding had not been available.

From the research that we did, the area where it looks like there is a gap is in terms of the early-stage funding for new and innovative technologies. We saw what seemed to have been a very significant success story, in terms of, for example, the Green Investment Bank and the EIB's support for the offshore wind sector, which we now see coming to fruition. Actually, that type of funding is probably no longer needed so much for the offshore wind sector, but if it had not been available there at the beginning, for the sort of catalytic effect it brought in terms of raising the confidence of other financiers so they can be brought in, you have got a gap.

That is why we suggested that the Government need to look at an alternative public sector finance solution should the loss of access to the EIB occur. We would probably urge them to look at that with a more focused approach, perhaps along the lines of the Green Investment Bank.

Q152 **Mr Clarke:** Which of course we then proceeded to try to sell off.

Philip Graham: Absolutely. It is worth saying that the other challenge is that the EIB is a neat trick, in that it is public sector funding, to some degree, but it sits off the Government's balance sheet because it is coming from a European institution. If you set up a UK institution—

Mr Clarke: You are taking that on.

Philip Graham: You are taking that on, so you have to measure. You have to take that balance into account.

Mr Clarke: That is helpful. Thank you.

Q153 **Chair:** I am going to bring in Alison in a moment. Mr Graham, you just mentioned water there. In some of the evidence we took from Sir John before, we were talking about private sector investors. The key thing is they are always looking for consistency of approach. You have talked



HOUSE OF COMMONS

about the importance of the UK legal system, for example, in terms of encouraging private sector investors. Without wishing to get into the politics of it, what does it do to private sector investment appetite if a sector or a company is threatened with nationalisation? What is the response of private sector investors to that?

Philip Graham: It is hard to answer the nationalisation question without getting into politics. The question of nationalisation directly is not one we have looked at. We have, however, been asked to undertake a study looking into the future of economic regulation in the country.

Q154 **Chair:** A major political party in this country is talking about nationalising the water industry. Is that something the NIC would look at, or would you wait to be asked by Government to look at that?

Sir John Armitt: Almost certainly, we would wait for Government to ask us to look at that, given that it is clearly a very politically contentious issue. To answer your first question, clearly for any investor the threat of your investment being taken away from you, particularly if it is going to be taken away from you at significantly less than what the market is valuing that asset at, is an entirely unsatisfactory prospect and one that is going to affect, certainly, any investments you might be putting in while that threat is being discussed and debated. Would you put in further investment if you think that, in fact, that investment might be taken away from you? Clearly not. I guess that business will have said in Committees like this 1,000 times that what businesses like is stability—a stable environment politically. That is fundamentally what you want, whether it is within nationalisation, pricing mechanisms or whatever it is.

Chair: Or European withdrawal.

Q155 **Alison McGovern:** I have some questions to ask about regional imbalances and the role of infrastructure in changing that. Before I do, Mr Vickerstaff, just to follow up on some points you made earlier, you mentioned over-optimism bias being a problem, as part of your cultural and behavioural issues in project management, and that your response is, in part, the Major Projects Leadership Academy teaching better skills in project management. No commentary is required, and this is just a simple factual question: what proportion of those attending the academy are women?

Matthew Vickerstaff: I may have to write to you. In terms of the proportion of MPLA, I want to get that right, so I will write to you on that.

Q156 **Alison McGovern:** Do you have your gender pay gap to hand as well?

Matthew Vickerstaff: I do not have the gender pay gap.

Q157 **Alison McGovern:** Okay. Do you want to just write to the Committee?

Matthew Vickerstaff: Yes, we can do that.

Q158 **Alison McGovern:** That is great. Thank you. Mr Graham, in a recent



HOUSE OF COMMONS

speech you said that it is scandalous that the co-ordinated investment strategy, which has been so successful in London, is not being replicated elsewhere in the country. We know that London, through its devolved institutions, has significant powers that other parts of England do not. Would you just say what powers London has that other parts of the country could have or require?

Philip Graham: London has a five-year devolved funding settlement, within which it has pretty much complete autonomy to set its own transport strategy. In addition, it has the power, and indeed the requirement, to prepare the overarching London plan in a way that is integrated with the Mayor's transport strategy, so you have that integrated transport and housing approach. Within that, the Mayor has the opportunity to call in certain planning decisions where they might be at odds with the London plan, to make sure those are being taken forward.

Effectively, what we are saying, in terms of other cities outside London, is that they should have increased funding, which in itself is needed, given the lack of investment over a long period in transport in cities outside London. Matched with that, and equally importantly, they should have that level of devolved autonomy over how that money is spent, as well as the requirement to think about transport, housing and employment together and the powers to support that where that is needed.

Q159 **Alison McGovern:** Do you think that we will ever rebalance England's economy unless areas outside London match London in terms of the powers you have just described?

Philip Graham: I cannot answer the question of whether we ever will, but the chances of a significant rebalancing of the economy are much higher in a world in which there is increased devolution and increased funding.

Q160 **Alison McGovern:** How is Transport for the North doing against the test—against the picture that you, Mr Graham, just described? How does Transport for the North match up?

Philip Graham: Transport for the North is a very different body. It is really important to say from the start that Transport for the North is not an urban transport authority. It is not about developing a city transport system. It is a sub-national transport body whose role is really to develop a strategy for the intercity transport networks within the north. It also plays a role in alignment between different urban transport strategies. It is slightly different from the picture I am describing. It is doing a good job, though it is a job that takes time, because Transport for the North does not have direct accountability. It is, effectively, a convening body. It works through a partnership board that brings together the heads of—

Q161 **Alison McGovern:** Some might say a talking shop.



HOUSE OF COMMONS

Philip Graham: It has got further than a talking shop. It has developed a strategy that, over time, has started to take some of those hard decisions about where you might prioritise spending, particularly in terms of the Northern Powerhouse Rail agenda. I would agree it has a way to go.

Q162 **Alison McGovern:** I have two further questions on that. We have these things called local enterprise partnerships that are supposed, in some way, to provide economic strategy for areas outside London where there is no London plan-type economic development plan. How would you rate them against the powers of London test that you just set out? Do they have any impact at all on this question?

Philip Graham: Undoubtedly, they definitely have impact. We did not look particularly directly at the LEPs. It is a very mixed picture, and it is very much dependent on the leadership of those bodies. You come back to the work we did on the Cambridge-Oxford corridor. What has been lacking there, which is consistent with the patchwork of local enterprise partnerships across that, is a consistent voice and a consistent leadership about how that corridor should develop.

That has a tendency to be similar in other parts of the country. We were in West Yorkshire recently. You look at some of the challenges around the way in which different local enterprise partnership boundaries fail to match against the West Yorkshire Combined Authority boundary. It becomes difficult to maintain that consistent voice and so on. Local enterprise partnerships can play a useful role, but they are groups of private sector businesses.

Q163 **Alison McGovern:** It is not the same as the Greater London Assembly, is it? Let us be honest.

Philip Graham: No, it is not. I do not think they are even remotely intended to be.

Q164 **Alison McGovern:** Just to move on quickly, we heard earlier that there are three kinds of transport interventions that you need: international gateways, between cities and intra cities—internal to cities. It is really this last point that our country is failing on, is it not?

Philip Graham: Well, the intercity transport networks have needed significant investment over a long period. That is starting to come in; that is coming in now, and investment going into Network Rail, the strategic road network, HS2, et cetera, is driving that up, but I would not say we have necessarily got there yet. Northern Powerhouse Rail is going to be a really important part of that. The bit where we have not even started is those kinds of proper powers and serious funding. To come back to the point I made to your colleague, we need long-term sustained funding for cities outside London, so they can get on with developing and delivering some ambitious strategies.

Q165 **Alison McGovern:** It is unsurprising, is it not, that people on the outside



HOUSE OF COMMONS

edges of some of our bigger cities are highly dissatisfied? For somebody who lives on the edge of Nottingham, it could take longer to get into Nottingham on public transport than to get from Nottingham to London. That is a frustrating situation.

Philip Graham: That is a frustrating situation, and it is backed up by the facts. As part of what I was saying about performance metrics, we looked at a connectivity metric for the UK, to get a sense of what people are actually getting out of the transport system, rather than how we are spending money on it. What you see there is that a lot of those cities outside London are in the lower areas in terms of connectivity, for exactly the reasons you say: that public transport systems, once you get outside the very centre, are not well integrated and do not provide the links they need to.

Q166 **Alison McGovern:** This is a more general question—any panellist may wish to answer. It will be no surprise to you that the regional analysis of the IPA's pipeline says that the south-west has the highest average annual investment per capita in the current financial year, while the west midlands has the lowest, at below £800 a year per head of population. To what extent is any of you responsible for, bothered by or interested in the regional disparities in levels of infrastructure investment?

Stephen Dance: Can I have a go at answering that? First, of course we are interested, but it is a matter for Ministers to decide on spending decisions. Where the money is spent, the projects it is spent on and how it is spent is not a matter for the IPA. What the IPA is concerned with is setting up the projects and delivering those projects, wherever it is they are decided to be.

I think you are probably referring to our analysis of the national infrastructure pipeline, where, for the second year running, we have published a breakdown by per capita. That clearly needs to be treated with a bit of caution. For example, the south-west, which you referred to, has a big nuclear power station in the middle of it, which has increased the overall capital spend in that sector of it. We have done our best, I hope, to reflect as accurately as we can, with long, thin infrastructure projects that benefit the whole nation, et cetera, how one could allocate costs and investment between the regions.

Overall, there are some significant successes that have gone on in regional development, through the roads infrastructure programme and the rail programme. The IPA is as interested in those, particularly the big, difficult, complicated ones, as it is in the ones in London or the south-east.

Alison McGovern: That may be true, but, essentially, what you are saying to us is that the Ministers really decide.

Q167 **Chair:** My question on that was going to be whether the Ministers have asked. When you are asked for advice or a view, are the Ministers saying,



"What is the regional breakdown?"

Stephen Dance: The way in which this tends to happen is, through Departments and projects. Projects and programmes, and projects within those programmes, emerge. They go through a business case process, which analyses the costs and the benefits of those business cases. Spending decisions are made by Ministers, by Departments and by the Treasury on the back of those. As we go through those cases, I cannot recall personally ever having been asked whether we should doing this because it is in the north, the south, the south-west or the south-east. It is an economic-based analysis in most cases.

Q168 **Chair:** No one is saying to you, "We have spent an awful lot of money in London. What are we doing in the north or the south-west?"

Matthew Vickerstaff: Of course Ministers are absolutely focused on that.

Q169 **Chair:** Are they really?

Matthew Vickerstaff: On Mr Dance's comment, we are not responsible for the choices, but of course they are entirely focused on regional rebalancing of investment.

Q170 **Chair:** You say, "Of course," but are they really? I have to say the evidence before this Committee is not always as hot on that as one might expect. Are you saying that, Mr Vickerstaff, because you are doing your job well as acting head of the IPA, or are you saying that, actually, when you meet Ministers—I do not know who you meet in the Treasury—one of the questions is, "What are we doing across the country"?

Matthew Vickerstaff: There is a distinction here between making it clear that the IPA is responsible for delivering choices made by Ministers—

Chair: It might be more of a question for the NIC, to be honest with you.

Matthew Vickerstaff: The very fact that our construction pipeline has a regional breakdown underlines the fact that there is a huge amount of interest in that. The Chancellor's comments to this Committee focused on regional investment, not just at the national level but also at the city level.

Q171 **Alison McGovern:** You are not his special adviser. I guess the question we are asking is less if you think he cares and more if they ever write to you about it, or if there are meetings held on a monthly, quarterly or annual basis to discuss the balance of the economy and which of the projects might help deal with chronic imbalances in the UK economy.

Stephen Dance: I am sure there are, but not with the IPA.

Alison McGovern: It sounds like you are saying the answer is no, in which case that is fine. It is not your fault.



Q172 **Chair:** What about the NIC?

Sir John Armitt: No. At the NIC, we are required to look at the infrastructure needs of the whole country. In looking at the needs of the whole country, we are bound therefore to be saying, "Is there a particular need in particular parts of the country to reinforce and improve the infrastructure that exists?" In doing the piece of work where we looked specifically at the connectivity between the northern cities, we made clear recommendations. In fact, in our recommendations last July, we put a sum of money. We said, in the first place, that £24 billion should be allocated immediately to the Northern Powerhouse Rail projects to enable them to make a start and make some decisions about how they would spend the money.

Coming back to your point about their role, in terms of just being a talking shop, they have a shopping list of what they would like to see. At the end of the day, you need a budget to go with your shopping list. You cannot necessarily afford all the things you would like. What we were saying was, "Let us get some money released so some decisions can be made as to how best to get this moving and to improve the infrastructure in the north."

Coming back to Phil's comment just now about our focus on devolution of funding to the regions, this is absolutely core. I have often said to city Mayors, "I don't understand why you stand for election. You cannot deliver anything because you have no fiscal powers." Therefore, it is so vital that these regional areas and these significant cities around the country have some allocation of funds so they can make their local decisions based on their local analysis of what is going to improve their economy and the lives of the people in their areas. That is what they get voted in to do. It is a bit difficult to be able to do if you have not got any money to do it with.

Alison McGovern: True facts.

Chair: You have probably just depressed a whole load of city Mayors on that basis, but yes. We are going to move on.

Q173 **Rushanara Ali:** I am going to focus on the low-carbon future. Sir John, in the national infrastructure assessment, you recommended a switch to low-carbon and renewable sources for the country's power and heating, but fell short of recommending a net zero carbon target. Why is that?

Sir John Armitt: We were, fundamentally, taking our remit, which was to take the current Government policies on carbon, to take the current agreements the Government had signed up to, and to use those targets as being the ones. To the extent the Government change their objectives into net zero or whatever, clearly, in future assessments—we are about to start another one—we will start to address those changes.

Philip Graham: Even to achieve the 80% target, which is the current formal target, you need to, basically, decarbonise the energy system and



get it down to zero. That was what we sought to model and to understand the best way of doing, in terms of our energy work. It is therefore pretty unsurprising that what we said in the national infrastructure assessment on energy is largely consistent with what the CCC has said in its net zero report around electric vehicles, around heat, around pushing for renewables as plan A and so on. There is not really a gap between us there.

Q174 **Rushanara Ali:** I will come on to that in a minute. Earlier on, when Alison was asking a question about transport and regional breakdown, I was trying to get to the Government's response on that. There was a recommendation for, I think, £43 billion over—

Sir John Armitt: Over the period to 2040, yes.

Q175 **Rushanara Ali:** Could you just tell me where the Government are with that point about backing—

Sir John Armitt: We do not know. The answer to that is what we are hoping to get in the statement in the autumn, which is part of the national infrastructure strategy.

Q176 **Rushanara Ali:** Right. I do not want to put words into your mouth, but just picking up on what Alison was saying, and on her question and your response on how often colleagues in Government probe that question, what they do with honouring your recommendation would be a useful indicator of how seriously they are taking the need for a good transport programme in different regions and looking at that, obviously, through the lens of a low-carbon future, would it not?

Sir John Armitt: Yes. There are two aspects, though, to any decision around this. One is an acknowledgement of the money that may be required to reinforce infrastructure networks. The second is the willingness to allow those decisions to be made locally, rather than at the centre. Clearly, we are advocating both of those.

Q177 **Rushanara Ali:** At the moment it is lopsided, yes?

Sir John Armitt: That is the challenge for Government, and it would be for any Government, because for 50 years now there has been a greater and greater centralisation of this away from local government. What we are recommending is quite radical in that sense, in terms of the policies of the last 30 to 50 years.

Q178 **Rushanara Ali:** The national infrastructure assessment made several recommendations related to carbon reduction, from reforming contracts for difference, to trialling hydrogen as a substitute for natural gas. Which recommendations do you think are the most critical to lowering carbon emissions in the UK?

Sir John Armitt: Heat is absolutely essential. Heat, in a sense, is the one that so often gets forgotten, but actually represents 22% of all our emissions. I think that is right. Is it 34%?



HOUSE OF COMMONS

Philip Graham: I think it is 22% for heat and 34% for transport, but I may be wrong.

Sir John Armitt: Therefore, it has to be addressed. In the long term, therefore, fossil fuels and natural gas are clearly not the answer, so we have had to find an alternative. The only alternatives that our analysis and research really showed up were heat pumps, which then rely on electricity, or hydrogen as an alternative gas to natural gas. Probably the most certain way of producing large-scale hydrogen at the moment is carbon capture storage, and that is why we have strongly recommended that Government should do large-scale trials in the next five to 10 years, to identify whether hydrogen is a real option or not. We have to get it either on the table or off the table so we can make decisions in the mid-2020s as to which route we are going to take. Otherwise, it will be too late to get carbon emissions from heating out of the system by 2050.

Philip Graham: I would be very wary of saying any of these is the important one. If you cannot do all of them, you are not going to achieve the targets.

Q179 **Rushanara Ali:** This is one for the IPA. In terms of the methodology to assess the environmental impact of the major projects outlined in, for instance, the IPA's annual report, do you analyse the robustness of their assessments?

Matthew Vickerstaff: Do you mean in terms of environmental impact assessments?

Rushanara Ali: Yes.

Matthew Vickerstaff: Environmental impact assessments are done as part of the Green Book, so that is Treasury. In terms of our monitoring of environmental impact, we probably do not do enough. That is something we have concluded, and it is something we are looking to improve.

Q180 **Rushanara Ali:** What would you improve that you are not doing enough of?

Matthew Vickerstaff: One can ensure that the environmental impact analysis and reports that are being done are being followed through and monitored. That is something we are looking at doing as part of our assurance reports on projects.

Q181 **Rushanara Ali:** It is a bit vague, so it would be helpful to just get a better sense of where the improvements would be, maybe in writing.

Matthew Vickerstaff: We can write to you in terms of our assessment of that and that specific question. It will involve us checking that through the assurance reports that we carry out.

Q182 **Rushanara Ali:** Have you done any analysis on the extent to which major Government projects and programmes will support the Government's decarbonisation agenda?



HOUSE OF COMMONS

Matthew Vickerstaff: There is a green taskforce. However, the national infrastructure strategy is where we are working with BEIS and Treasury in putting that together.

Q183 **Rushanara Ali:** The only major projects in the pipeline in your annual report related to reducing carbon are a smart meter project and a heat networks investment project. Why is this heat networks programme given an exempt rating, which means, as we understand it, that information on progress is classified?

Matthew Vickerstaff: It is really because that is commercially sensitive. There are private sector parties bidding for that £320 million investment opportunity, and therefore they are competing. Therefore, it is commercially sensitive.

Q184 **Rushanara Ali:** For the moment, then, until the bidding is—

Matthew Vickerstaff: The bidding is under way. It is an ongoing cycle.

Stephen Dance: But once it is completed—

Matthew Vickerstaff: Yes, then we can obviously provide transparent information about that.

Q185 **Rushanara Ali:** When would that be?

Matthew Vickerstaff: I do not have the exact detail, because it is a programme that is rolling. Again, we can come back to you if that would be helpful.

Q186 **Rushanara Ali:** Yes, that would be great. I just have one final one, which is about the freight sector. Sir John, as I understand it—is this right, or is it how it was reported?—you called for a ban because of the amount of greenhouse emissions they contribute, which is obviously very concerning. With the online shopping rise that is predicted, some people predict it could amount to a much higher rate of emissions, so something needs to be done. What are the ways in which this particular issue can be addressed? Obviously, the CBI has raised some concerns about how quickly you can move to try to help them decarbonise.

Sir John Armitt: There are, fundamentally, two solutions for decarbonisation of transport and road transport: electric or possibly hydrogen. I was, in fact, in a car last night in London that was a hydrogen car. In terms of electric, we have seen the Committee on Climate Change saying we should not be having any petrol or diesel cars being sold after 2030; that is, frankly, wishful thinking if we do not put in place the infrastructure to enable people to buy an electric car.

Rushanara Ali: That is right.

Sir John Armitt: Our very strong recommendation to Government has been that they should be supporting, either through direct investment or through incentives, getting the regulator and the distribution network



HOUSE OF COMMONS

companies working together, because the networks will require reinforcement, particularly if we are going to have rapid charging. It is not a case of just putting plugs on walls. We actually have to have the right power behind the plug.

Q187 **Rushanara Ali:** Do you think they get that?

Sir John Armitt: I would be amazed if the Government did not get it.

Q188 **Rushanara Ali:** Are they going to act on it?

Sir John Armitt: As always, we are seeing the challenge between the extent to which the Government rely on the private sector to see a market, drive on and put things in place, and the extent to which that needs encouraging. Frankly, we believe it has to be encouraged. It has to be encouraged, as with fibre, in those parts of the country where the private sector would say, "There is not going to be a return on actually installing these charge points in rural and more remote areas." It needs local authorities to give up space in public car parks to make charging available. It will also require some sort of support and willingness to engage, particularly using the regulatory functions of Ofgem, with the major companies to reinforce the network. If we do not get that done over the next 10 years, we are whistling in the wind when we start to talk about a major change to electricity.

Q189 **Rushanara Ali:** Is there a tension between the recommendations that you are making and the Chancellor's commitment, as you and others have mentioned, and, in practice, things like household, subsidies and solar PVs, and that wider debate about, a few years ago, £1 billion of subsidies being removed quite quickly. I was on the Climate Change Committee until it was disbanded, which is not a good sign of commitment, frankly, from the Government on this agenda. There are contradictory things going on, which is not helpful, because getting rid of those subsidies is actually setting us back. Also, the uncertainty for investors is a massive problem, which links to the wider issue about infrastructure investment. You are relying on significant private investment here as well.

Sir John Armitt: I go back to my earlier point about stability. Nobody expects a subsidy to last forever, but what they do not expect is that, all of a sudden, they wake up and in 12 months' time or six months' time it is gone.

Rushanara Ali: That is what happened.

Sir John Armitt: What you need to see is that there is a forward programme you can make your investment against, and you know that, yes, in five years it is going to be taken away, or in fact that there may be some parameters that say that when a particular financial position is reached, you can expect that subsidy to be changed.

Q190 **Rushanara Ali:** You think the Government now understand that and get



HOUSE OF COMMONS

that message, in the light of your work and some of the objections that have been raised because of that, in terms of those decisions that business has complained about.

Philip Graham: To some degree, it is happening. The contracts for difference process has worked quite well. We are seeing the benefits of that, in terms of the cost reductions that have been created for offshore wind and the fact that offshore wind is so much lower than nuclear and so on. The difficulty, from my point of view, is that politics can continue to play into that. If we are going to have a zero-carbon power sector with a high level of renewables in it, we cannot rely solely on offshore wind. We also need onshore and solar to play their part, but those are, for the moment, excluded from the contracts for difference process. That is what we have recommended needs to be addressed. There is some understanding, but pushing through some of these barriers is important as well.

Q191 **Colin Clark:** Sir John, very quickly, you spoke about carbon capture storage for hydrogen. Are you speaking about decarbonising natural gas?

Sir John Armitt: Yes, decarbonising methane.

Q192 **Colin Clark:** As opposed to converting water into hydrogen.

Sir John Armitt: That is electrolysis.

Philip Graham: We are talking about converting natural gas into hydrogen through steam methane reformation. That produces carbon dioxide, which you then capture.

Q193 **Colin Clark:** So far, we have explored something like 3,000 trillion cubic feet of gas. The point I was getting at is that if we are going to have hydrogen, it will be coming from natural gas.

Philip Graham: Yes, it will.

Q194 **Colin Clark:** It is not going to appear from sea water.

Philip Graham: The crucial thing is you produce the hydrogen for that natural gas in one place, so you can capture the carbon that is produced as a result, rather than turning it into heat in millions of boilers in homes all around the country.

Colin Clark: Thank you.

Q195 **Charlie Elphicke:** Good morning. Let me talk about broadband. Let me start, Mr Vickerstaff, with you. As you may know, we have fibre in just 5% of homes in Britain, or thereabouts—it is between 3% and 6%. It is 89% in Portugal and 71% in Spain. Just picking up on your experience of projects in Spain, France and Germany, how are they able to achieve this, and why are we so dismally behind?



HOUSE OF COMMONS

Matthew Vickerstaff: Thank you. In terms of broadband coverage, we obviously have in the high 90s, but I think you are referring to fibre to the premises—ultrafast.

Q196 **Charlie Elphicke:** Yes, which everyone else seems to have on the continent, but we do not.

Matthew Vickerstaff: You are right in terms of Spain and Portugal. They have higher fibre to the premises than us at the moment. It is our understanding that France is actually just around the 20s. Interestingly, Spain and Portugal have a competitive environment. They have opened the market to competition between other providers and suppliers, which is exactly the model that we are planning to adopt.

At the IPA, we have been right at the forefront of creating better ultrafast broadband coverage. We established a digital infrastructure investment fund using £400 million of public sector capital, which was matched by private sector investment by two asset managers. Ironically, that has crowded in a huge amount of private investment from organisations like CityFibre and Gigaclear, so it definitely seems that there is private sector appetite to invest in ultrafast broadband.

Q197 **Charlie Elphicke:** In Spain and Portugal, they do not have just one provider like Openreach to every premises. They have three or four different cable networks going down every street. Is that how it works?

Matthew Vickerstaff: They have a number of different—

Q198 **Charlie Elphicke:** They duplicate the infrastructure.

Matthew Vickerstaff: They have a competitive environment.

Q199 **Charlie Elphicke:** Is that with one infrastructure provider, or is that with multiple infrastructure providers?

Matthew Vickerstaff: In places, there are a number of different providers and therefore different physical infrastructures in place.

Q200 **Charlie Elphicke:** Just looking at this in terms of investment, the investment in digital infrastructure in Britain for the pipeline between 2018-19 and 2020-21 is about £7 billion. That compares to £50 billion in energy and £55 billion in transport. Given the importance of digital and the importance of connectivity, do you think we have the balance of investment correct? Your £400 million is important, but it is a drop in the ocean, is it not? Do we not need to have a step change and think a bit bigger?

Matthew Vickerstaff: The Government's policy, as I am sure you are aware, is to have full broadband coverage—ultrafast coverage—by 2030, with 15 million homes by 2025. There is a staged ramp-up of that capability. That seems very sensible to me, because one of the dilemmas is that we still have good broadband coverage where people are willing to live with that broadband coverage. The question mark is on adoption



HOUSE OF COMMONS

rates. Doing everything overnight does not necessarily seem the most sensible solution to me. One of the dilemmas is around when copper is turned off. I know, for example, the NIC has views on that. The Government's policy, with the private sector and in consultation with BT Openreach, is to turn that off over time, rather than to have a hard pre-programmed shut-off date.

Q201 Charlie Elphicke: As things are, you are saying, "It is all fine. There is lots of broadband everywhere," but there are in fact hundreds of thousands of so-called forgotten homes and businesses that do not get that. Let me give you an example. I have an 11-year-old student in the village of Hougham that I represent in my Dover constituency. Their internet can drop below 0.6 Mbps, meaning that she struggles to complete her homework, particularly in maths, science and languages, which require good internet. She is dyslexic, so she needs the extra aids, but she cannot download them. Is that not the human cost of the failure to deliver to those so-called forgotten homes? Do we not need a step change from Openreach to fix that?

Matthew Vickerstaff: The case you have identified there is very regrettable, especially given the special needs that she has. The official stats say broadband coverage is 96%. I am sure there are situations like that, which are, as I say, deeply regrettable. In terms of the ultrafast broadband investment, the pace of that is about what the adoption rates are, as well as 5G and internet of things—so what the demands are. I think, and Government agree, that we need to get to that. I have outlined what the policy is. It is about getting the right balance between what the demands are and what the supply is.

Q202 Charlie Elphicke: Is there not a possibility, and an importance even, in terms of actually putting more pressure on the Government to think wider, think deeper and think faster? Let us take the example of requiring all new developments to have a new cabinet with totally great infrastructure. I will give you another example. The lady who bought a new house on a housing development in Sholden in my constituency has woefully slow speeds. The developer did not put in the infrastructure. BT has not got the area on their list for fibre broadband and has no plans to upgrade the cabinet whatsoever. Rather amusingly, it said it would like to assure her that it is committed to getting high-speed broadband to as many homes and businesses as possible. Those are hollow words to her. Should we not require all new developments to have that kind of broadband coverage?

Matthew Vickerstaff: Can I just outline that the Government have an outside-in approach? Outside-in recognises that, in the inside, in cities where ultrafast broadband will definitely be required, the market can look after that provision. In the outside, in rural areas, there is a risk that, whether it is because they are forgotten, investment will not happen. There is a £200 million pilot under way, where rural areas are being examined in terms of what the cost of ultrafast broadband roll-out is. In terms of the spending review, there is a plan, based upon that pilot, to



HOUSE OF COMMONS

look more deeply into what the cost will be. At the moment, there is, as it were, a provisional estimate of around £3 billion to £5 billion, but, based on the pilot, that outside-in strategy will be worked up in more detail. We may be able to say more in the investment infrastructure strategy.

Q203 Charlie Elphicke: That is really welcome and really important, because there is a big issue in our country, is there not, in that this has been very city-focused for a long time, and the regions have been entirely neglected? That is part of the reason for the deep anger and malaise in this country of so many people who feel that it works well for the elite in the cities but does not work so well for everyone else. Can I just urge that innovative ideas are taken forward on what to do about those forgotten households?

I will give you another example. A man in Ulcombe in my constituency says he and a few other houses get no internet at all. One neighbour gets it by a dongle. He currently has to rent space on a satellite. It is painfully slow, and he has been quoted a cost of £180,000 for the few houses to get a decent connection. Should we not be thinking in innovative ways for what we can do for people like that, to get them connected so they are not left behind?

Stephen Dance: It is just worth pointing to the universal service obligation, which is a Government obligation to provide everyone access to broadband speeds of at least 10 Mbps by 2020, wherever they live or work. That is a commitment the Government have given.

Q204 Charlie Elphicke: How are we going to enforce it? How are we going to make it possible? How are we actually going to deliver it?

Stephen Dance: There are a number of delivery mechanisms that are available, some of which Mr Vickerstaff has referred to. There is that commitment to go from outside in, and that is evidenced by programmes like the pilot programme for rural fibre, which is ongoing at the moment. As we go forward and look to the response to the National Infrastructure Commission, we will be responding on how those things are taken forward. I just wanted to point out that there is a universal service obligation out there that is intended to address the very serious issues that you have raised.

Q205 Charlie Elphicke: Let me ask this question. With the universal service obligation, it is great to have the obligation. What is the enforcement mechanism if it is not delivered? What is the assurance it will be delivered? A lot of these companies will hand warm words around but not be there for people. I have just outlined the very human cost of people suffering and the consequences on them and on their daily lives. How are we going to make sure that the likes of Openreach and the rest of them actually make it happen and deliver?

Matthew Vickerstaff: I think that is a question for Ofcom, but it is certainly something we can follow up with them.



Charlie Elphicke: Thank you. I really appreciate that.

Q206 **Colin Clark:** We were speaking earlier about the performance of investment and this £650 billion of performance that is expected. I suppose part of the cynicism of the general public is about the transparency of that performance. In the evidence, we see, "there is still a need for" the IPA "to develop its oversight at exit"—that was the National Audit Office. What are you doing to make this more transparent for the general public to understand? You said earlier that a lot of these projects are actually decided on political grounds. It must be both of your responsibilities to make sure that it is transparent, in terms of what the benefit is, and that you can actually prove it.

Matthew Vickerstaff: Just to clarify, it is a £600 billion construction pipeline. The NAO report you mentioned was to do with projects coming off the Government major projects portfolio. We have—and have for some time—instituted a benefits realisation plan. We check with Departments that they have a plan to realise the benefits accruing from the investment made in the infrastructure, which different members of the Committee have actually referred to. The Department has to have that benefits realisation plan for them to remove the project from the GMPP. They then go on and monitor.

Q207 **Colin Clark:** Does that mean after the project is finished? How do you demonstrate that it has delivered the benefit that you estimated?

Matthew Vickerstaff: That is in that benefits realisation. Just to clarify, because this question has come up, every project has a benefits realisation plan, both cashable and non-cashable. That is a fundamental part and thesis of the Green Book analysis, which HM Treasury requires in order for a project to be approved.

Q208 **Colin Clark:** We recently had a project in the north-east of Scotland where the Scottish Government spent £200 million to take two minutes off a two-and-a-half-hour journey by rail. My point is that it has to be demonstrated to the general public what the delivery is. Sir John, as you said, it is public money, and choices have to be made. It may not be many projects, but if projects do not deliver real benefit and real value, I think the general public become cynical.

Philip Graham: If I may say so, what we found through our work is that a lot of effort goes in and a lot of work is published. The appraisal aspect of this, before projects are developed, goes into assessing what their benefits might be, and that usually ends up in the public domain. People can take that apart and consider it. Much less effort, generally, goes into the evaluation of whether those benefits were delivered, and a lot of that is behind the scenes and unseen.

One of the recommendations we made to that extent was that there should be a published database, going forward, of publicly funded projects that sets out what the costs and what the benefits were. That might be complex economic benefits, or it might simply be, "How many



HOUSE OF COMMONS

people did you think would use this train?" or "How many people did you think would drive up and down this road?" You can start to see where projects are delivering as expected and start to see where problems have developed in the past. We hope the IPA and Government will be able to pick that up and will be able to make that database publicly available.

Q209 Colin Clark: Just connected to that is this cynicism of the public that there is a sort of unworldliness. The Institute for Government recently criticised the Treasury for not having sufficient expertise in frontline delivery. Has the IPA got expertise in frontline delivery so it can evaluate the costs and benefits of projects? That is not a criticism. I am just trying to ask you to lay out what the frontline delivery is.

Matthew Vickerstaff: I think the head of our infrastructure delivery should answer that question.

Stephen Dance: I am probably going to ask you to define the frontline at some point. As a matter of background to that, the IPA has a mix of staff, some of who do have frontline delivery expertise—in rail, road building, construction or housing. There is a group of the IPA that comes from a mix of professional backgrounds, delivery-orientated backgrounds, frontline, including in the construction of schools and public building of that kind.

That is not to say we are equipped to be frontline operators in the sense of what I would call the real frontline of providing healthcare and education facilities to citizens. We are not at that level, but we have expertise and experience. We then call upon a group of independent reviewers, who are also experienced and have frontline expertise and experience in their own right, to help us do the project assessment reviews and the various assurances we put in place. I hope that gives you some comfort that we have a degree of expertise and access to experience.

Colin Clark: Yes, it is a comfort. I think it is an unfair criticism.

Matthew Vickerstaff: When Conrad Smewing was here in front of the Committee, he flagged something. As I said at the outset, the journey the civil service is on is in terms of creating its function—not just project delivery, but the commercial function, digital service, HR, communications, so professionalising the civil service, which I think he flagged for the upcoming spending review would be drawn on far more than previous spending reviews, to help provide the right check and balance.

Q210 Colin Clark: That was Conrad, not comrade, was it not?

Matthew Vickerstaff: Conrad.

Q211 Colin Clark: Lastly—this is directed at the IPA—when will your new CEO be appointed?



HOUSE OF COMMONS

Matthew Vickerstaff: That is being dealt with by the civil service at the moment, and we hope to announce it soon.

Q212 **Colin Clark:** The point is that, in the data we have, the application indicates a closing date of 27 January. Maybe you could comment about when the process started. The shortlist was supposed to be looked at from 4 March. You must be very close to announcing the new CEO.

Matthew Vickerstaff: It did slip a little. If you think back to that time just around the end of March, it was quite a busy time in terms of planning.

Q213 **Chair:** It was not very productive, sadly.

Colin Clark: Nothing happened.

Matthew Vickerstaff: We would argue it was very productive, in terms of planning.

Q214 **Chair:** We would not argue that it was politically; that is what I was getting at.

Matthew Vickerstaff: It was in terms of preparations and certainly the work Government did. It has slipped a little bit, but it will be announced soon.

Q215 **Chair:** Is it the Cabinet Office that runs the process?

Matthew Vickerstaff: Yes.

Q216 **Colin Clark:** What will the greatest challenges be for him or her?

Matthew Vickerstaff: We have outlined a lot of it. The greatest challenge is actually changing the delivery system. The Transforming Infrastructure Performance initiative is a 10-year cycle. We are already on a journey, but it is ensuring that value for money is achieved, projects are delivered on time and to budget, and we have the right skills and capability, not just within the public sector but also in the private sector. That is partly about making sure our construction industry, our suppliers and our services are actually fit for the purpose.

Colin Clark: That was a very convincing answer. Thank you very much.

Chair: Can I thank you all very much indeed? This is a subject of great interest. You have heard about Charlie's very personal examples of broadband roll-out, right through to decarbonisation and the impact that has, and many other issues. We appreciate how much effort preparing for a session like this can take, and we are very grateful to you for your evidence. I suspect that you will all be asked, in one form or another, to come back and give us further evidence at some point in the future—potentially around the autumn and the strategy in the autumn statement, when we see that. For now, thank you very much for your time.