

# Management Consultancies Association

## Submission to the National Infrastructure Commission Consultation

2 March 2016

1. The Management Consultancies Association (MCA) welcomes the creation of the National Infrastructure Commission. MCA members include many of the advisory practices from major infrastructure specialists, including Mott MacDonald, Arup, Atkins and AECOM. Other members, such as the Big 4 accounting firms, Accenture and IBM, as well as niche specialists, are heavily involved at all points in the infrastructure value chain, from strategy, design, finance, to project management and assurance.
2. In 2013, the MCA Think Tank produced a report, *Building Blocks: How Britain can get infrastructure right* (<http://www.mca.org.uk/reports/reports-data/building-blocks-how-britain-can-get-infrastructure-right/>). Among the recommendations was the creation of a body such as the National Infrastructure Commission. Accordingly, we welcome the new Commission as a significant step in the right direction.
3. We also welcome the appointment of Lord Adonis as the NIC Chairman. Not only does this represent a laudable effort to take partisanship out of infrastructure. But it is also an outstanding appointment in its own right. There could be few better informed or more passionate advocates for infrastructure programmes and for the UK to 'up its game' than Lord Adonis. He grasps the paradox, central to the MCA report, that the UK has some of the finest infrastructure capabilities in the world – architects, engineers, project managers, advisory experts – but under-resourced and creaking networks.
4. The broad NIC governance and operation envisaged in our report more closely resembles the Government's than that envisaged by the Armitage Review. We accept the impossibility of taking infrastructure completely out of the political decision-making arena and cycle. However, we believe that the proposed responsibilities and governance could be enhanced and strengthened. Small adjustments to the status the NIC provides Government would promote longtermism.
5. They would also promote a more purposeful approach to infrastructure. Our 2013 report emphasised the importance of ensuring that infrastructure investments are outcome-focused. Even with significant programmed uplifts in Government infrastructure spending in this Parliament and renewed efforts to leverage private capital, the shortfall in funding needed to modernise the UK's infrastructure means that every penny needs to be spent wisely.
6. Disputes about the relative merits of investment in high-speed rail systems or the improvement of the UK's broadband networks stems in part from concerns about the quality of Government business cases and the distribution of benefits and disbenefits. But they also arise since infrastructure projects do not necessarily seem to be anchored in a specific vision for the economy and wider society. Different visions for our economic future might militate in favour of one or other of the investment options above, or some appropriate combination of both.
7. The success of Australian infrastructure projects is predicated in part on a clear vision of the relevance of its infrastructure to specific issues: markets and supply chains, population densities,

tourism and the country's peculiar topography. A similar vision for the UK would provide an invaluable framework for the NIC's efforts.

8. Accordingly, the Government should develop a long-term economic, industrial and social vision, setting out in broad terms its assumptions about the infrastructure portfolio needed to realise the vision. They should canvass widely in developing this. It will of course be difficult to secure cross-party endorsement for the detail of the vision. Nevertheless, where possible, in the interests of long-termism, Government should seek consensus on the broad infrastructure implications of its vision. The Chancellor of the Exchequer should then present this vision to the NIC. It should be complemented by an outline assessment of the UK's likely medium term infrastructure investment capacity.
9. On receipt of the vision, the NIC should then develop the draft National Infrastructure Plan. This is a stronger wording than National Infrastructure Assessment, consistent with securing momentum and consensus behind the insights of independent experts. The danger of an Assessment is that, however highly regarded those who produce it are, it can be seen as simply another ingredient, potentially discountable, in the development of policy.
10. The Plan should be supported by a number of key activities.
11. First, the NIC should canvass the existing programmes and intentions of Government Departments and, as appropriate, the devolved administrations. As well as examining their intentions, it should also audit their strategic and management capacity in relation to infrastructure.
12. Secondly, the NIC should audit the UK's existing infrastructure assets. How far these assets could support the economic, industrial and social vision should be netted off new investment requirements, with the NIC Plan also recommending other cost-effective measures, such as the modernisation of some assets and the deployment of digital capabilities to improve operational efficiency and outputs.
13. Thirdly, the NIC should canvass widely among infrastructure experts. These should include those with operational and advisory capabilities. Particular emphasis should be placed on securing input from those with backgrounds in digital and in sustainability. We suggest that the call on expertise should be relatively fluid, rather than through the use of standing advisory panel. If the latter is established, care should be taken to ensure that it does not consist merely of well networked Whitehall insiders and the membership should be rotated frequently.
14. The Plan should also be informed by an audit of the UK's infrastructure skills capacity and needs and major mechanical and technological infrastructure capacity. Estimates on the demand for the former, assessment of potential shortages and their implications for training needs and migration, will be critical for the Plan's realism. Moreover the Plan will need to be sequenced to ensure the efficient deployment of mechanical and technological capacity, particularly high-cost, low need equipment, such as tunnelling devices.
15. The Plan should consist of specific projects, timetabled, with their investment requirements in human, technological, mechanical and financial resources set out. The Consultation document envisages a 10 to 30 year Assessment. This is a curious combination of timescales. The need for

long-termism needs to be balanced against the realities of the political cycle. So, while the Plan should be set within a long-term outlook, spanning up to 30 years and beyond, the operational implications should cover a 10-12 year period. The Plan should be subject to annual audits and triennial reviews of content, linked to the Spending Review cycle.

16. The linkage of the projects in the Plan to the Government's economic, industrial and social vision should be made explicit and expressed as outcome goals. ROI should include invest-to-save benefits, realistic accounts of economic 'multipliers' and the costs associated with failure to invest, where these are relevant. The Plan should also set out disbenefits clearly and how these might be offset. These can be used honestly in dealings with communities that may be opposed to projects, with the offsetting of immediate disbenefit through the channelling of later or immediate economic gains to those affected. Business cases should also have designated end dates for projects.
17. The Plan would contain a detailed investment plan. As well as deploying Government spend, the NIC would quantify the amount of private capital required and make recommendations on the funding mechanisms to be pursued, project by project.
18. In devising the business plans for each element of the Plan, the NIC should enlist the widest range of advisory capability, to support economic modelling, financial modelling, portfolio design and delivery planning and have the budget to do so. Corresponding reductions in departmental resourcing may be necessary.
19. The NIC should also recommend the management and delivery model for each project. These recommendations will be informed by the audit of departmental capacity. Given the success of task-specific delivery models, such as those mobilised for the Olympics and CrossRail, specifically recruited teams, measured and rewarded against the success of projects, should be the norm for large-scale initiatives.
20. The NIC would then lay the Plan before Parliament. The Chancellor would respond on behalf of the Government, either adopting or amending the Plan. Deviations from it would have to be accounted for before Parliament, potentially including the Treasury Select Committee and Public Accounts Committee. Given the weight of expertise brought to bear in developing the Plan, the reassurance to investors provided by the Plan's comparative stability, the Chancellor would have to demonstrate that his case for deviation was as compelling as the NIC's proposal.
21. The Plan (with amendments as appropriate) would then be adopted by the Government.
22. As well as conducting annual audits of the Plan and the triennial review, the NIC would have two further roles.
23. First, it would scrutinise progress by Departments and delivery bodies against the plan.
24. Secondly, as appropriate, it could itself be used as a source of strategic support and expertise for major projects – or the sourcing thereof.
25. This approach builds on the broad framework set out for the NIC in the Government's consultation document. These changes nevertheless provide greater clarity about roles and

responsibilities, process, and should help foster the greater purposiveness and realistic longtermism in infrastructure the UK needs.

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