

NATIONAL INFRASTRUCTURE COMMISSION

Sir John Armitt
Chairman

Finlaison House, 15-17 Furnival Street, London, EC4A 1AB

Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London, Sw1A 2HQ

12 May 2020

Dear Chancellor,

I trust this finds you well, amid such challenging times. I write to reiterate the Commission's ongoing support through providing independent advice, as you embark on the next phase of addressing the impact of the Covid-19 pandemic.

The Commission remains committed to ensuring our advice to government addresses three key priorities: (i) long-term productivity and competitiveness; (ii) levelling up regional inequalities; and (iii) achieving net zero by 2050 or before. Many of the recommendations in our National Infrastructure Assessment sit at the intersection of these three goals, which we judge to be mutually reinforcing rather than in conflict.

As you will be aware, we are already planning to publish detailed studies over the coming months on how infrastructure systems might be better prepared for shocks – using an evidence base that of course predates the current crisis – and our analysis of the future rail needs of the north and Midlands, to inform the government's integrated rail plan.

I trust these will be useful contributions for post-pandemic planning and that, as with all Commission studies, you will consider our recommendations carefully.

As you and Cabinet colleagues begin to look to the future, the Commission thought it would helpful to offer some wider reflections on the role of infrastructure in contributing to the economic recovery.

Short-term steps and long-term goals

In the short-term, the Commission would support stimulus measures that accelerate planned work (such as road maintenance) and focus on ways of locking in a lower carbon economy, through energy efficiency measures, gigabit broadband roll-out and further investment in decarbonising our energy sources. The government's recent announcements on additional funding to make cycling

and walking safer and more attractive options for regular travel are also a positive step.

At the same time, it is crucial not to lose sight of the long-term. The economy runs on confidence, and government has a critical role to play in instilling this among investors, businesses and consumers.

Confidence can be won, and crucially private investment can be unlocked, by government setting out a long-term infrastructure strategy and continuing with front-end planning for longer-term schemes – even if any construction work may be some years away.

We believe our recommendations in the National Infrastructure Assessment provide a blueprint for solid investment in meeting the biggest infrastructure challenges. We have recently undertaken work to provide assurance that our headline recommendations are consistent with the statutory net zero goal.

Public and private investment

While significant public investment will be necessary, private capital is critical to infrastructure in many sectors. Clear guidance on the direction of policy and regulation, supported appropriately with public money for R&D and pilot projects, will stimulate private infrastructure investment. A domestic replacement for the European Investment Bank, with an explicit focus on infrastructure, could also play a major financing role and crowd-in private capital.

With these themes in mind, there are specific areas where the Commission would support early action.

Renewable energy

Building a strong pipeline of Contract for Difference auctions – to bring forward offshore, onshore and solar power generating capacity – is the first. Government policy has shifted positively in this area, but industry needs clarity on dates and scale. Given the investment comes from the private sector and progress here would support net zero, this strikes us as a potential ‘quick win’. More broadly, and most importantly, government policy on energy should incentivise private investment – particularly in the development of new power and heating technologies such as hydrogen with carbon capture and storage.

Flood resilience

Similarly, the Commission encourages the adoption of national standards of flood resilience to maximise the effectiveness of committed public expenditure (including the recent and welcome additional boost you announced in March’s Budget) and ensure preparedness for future events.

Major cities

We would encourage you to continue with your stated agenda to give the leaders of our larger cities the funding and freedom they need to start work on their local infrastructure priorities, which would not only provide regional stimulus but help meet the needs of their growing populations over the longer term. While the impact of Covid-19 on future behaviour is uncertain, I would urge caution over speculation about a flight from the cities post-pandemic, which runs contrary to long-term trends in the attractiveness and resilience of cities. Urban public transport investment – and particularly starting to plan now for the transformative new projects – remains key to supporting future economic growth and levelling up the country.

Regional connectivity

More broadly, there is a need to boost the connectivity of towns and cities outside the south east of England, to reduce regional inequalities. I know this is a key objective of the government, and that much work – including planning an integrated rail plan for the North and Midlands – is underway. The current crisis is only likely to sharpen economic disadvantage in long struggling communities, and upgrading transport and broadband connections (alongside skills) has the potential to improve economic opportunities.

The Commission stands ready to offer advice to government on infrastructure's role in the economic recovery. My team are available to discuss any aspects of our recommendations or further specific studies with your officials. We also continue to encourage the formulation of the National Infrastructure Strategy as part of your wider recovery plans.

As you will appreciate, the Commission has faced various requests to offer reflections in the public sphere on the future for infrastructure, and I wanted to inform you that I intend to publish some version of these reflections over the next few days; I expect the Commission will publish fuller work in due course. My officials will of course liaise with yours in the usual way to ensure advance sight of these statements.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Armitt', written in a cursive style.

Sir John Armitt

CC Financial Secretary to the Treasury, The Rt Hon Jesse Norman MP