

P L M R

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# 2019 PREDICTIONS: INFRASTRUCTURE

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2019 began with reports of interest among some ministers for the creation of an infrastructure ‘superministry’, bringing together and streamlining existing government departments. Whilst we are unlikely to see this particular idea come to fruition over the next 12 months, there is plenty on the government’s infrastructure in-tray that will need to be addressed in the coming period.

## WHAT COMES AFTER PFI?

In his October 2018 Budget, the Chancellor opted to kill-off the Private Finance Initiative (PFI), historically one of the main ways UK infrastructure – notably social infrastructure – has been financed over the past 20 years. Concerns over the extravagant costs incurred through PFI contracts have grown in recent years, including by both Philip Hammond and his opposite number on the Labour benches, John McDonnell.

The decision was not overly surprising, given Hammond’s refusal to sign-off on a single new PFI (or PF2) contract during his time as Chancellor. However, with a raft of existing contracts due to come to an end over the next few years, the Treasury faces having a raft of assets back in public hands on the public books.

Government is unlikely to want to have carry this level of debt, posing the question; how will much needed upgrades and maintenance to existing infrastructure as well as the delivery of new projects be financed?

Local authorities can – and indeed – are accessing finance through the Public Works Loans Board (PWLB), which allows authorities to borrow far more cheaply than they would under a PFI deal. However, ultimately, these loans are still funded by Treasury.

2019 is likely to see a growing interest in alternative and innovative forms of infrastructure financing. From attempts to capture land value uplift to whether mechanisms such as Tax Increment Financing (TIF) or and the regulatory asset base model can be used more widely, we can expect policymakers to focus on the hole left by the decision to move beyond PFI.

## RAIL IN THE SPOTLIGHT

The predictable outcry over annual rail fare increases and problems with services means the rail sector is consistently the subject of political and media scrutiny. With a Corbyn-led Labour Party talking up the prospects of nationalisation, in a highly populist move that polls extremely well with voters, 2019 is likely to be the year the sector becomes a political football.

The independent Williams Rail Review is already underway, looking at the organisational and commercial reforms needed to ensure the government can deliver on its vision of a ‘world-class railway’. The review may seem a fairly technical and esoteric. However, by focusing on issues such as the integration between track and train and the potential devolution of rail powers, the Review has the potential to lay the groundwork for substantial reforms to be included in a proposed White Paper due towards the end of the year. Certainly, in the face of a Labour opposition who will likely place rail reform at the heart of their campaigning, the government will be minded to seem to be ‘doing something’ to improve the sector to the benefit of passengers and taxpayers.

As the fallout from the Crossrail delay has shown, concerns at the country’s ability to deliver largescale rail projects on time and to budget remains. We can expect the blame game for the delay – and who knew what and when – between Crossrail Ltd and the London Mayoral team to continue in the coming months.

Crossrail’s delay feeds into wider scepticism regarding the potential for new (and much-needed) rail

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projects to be delivered. Continuing the theme of the past few years, we can expect the escalating costs and timescales for HS2 to be raised by critics and opponents of the scheme still determined to stop it in its tracks.

Attention in London – particularly among business groups such as London First – has already shifted towards pushing for Crossrail 2 (going from the north-east to the south-west) to be given the green light. Among London policymakers and stakeholders, the project is seen as vital to unlocking areas of housing and jobs potential in the capital as well as easing connections into and through London. However, beyond vague supportive statements there has been precious little in the way of concrete endorsement for the scheme – notably from government and the Department for Transport (DfT), in particular. Concerns over cost and coupled with fingers having been burned as a result of the Crossrail experience has put the second project in doubt. 2019 will need to see a substantial lobbying effort by London policymakers to convince central government to commit the resources to take the project forward.

The focus on Crossrail and Crossrail 2 feeds into one of the key debates likely to dominate in 2019, namely perceived injustices between expenditure on rail projects in the south and the north, with the latter seemingly left behind. It is widely accepted that rail investment is vital across the north to unlock the economic potential of the region – with an east-west HS3 being proposed as a greater priority than HS2. With the predominantly northern Metro Mayors (notably across Manchester, Liverpool, Birmingham and Sheffield) increasingly vocal on the issue any additional money for rail infrastructure in the south will be met with strong demands for similar expenditure for the north.

## FUTUREPROOFING OUR INFRASTRUCTURE

The government has made strong and ambitious commitments in a number of areas including world-class communications connectivity through 5G rollout and transitioning to a fully electric car fleet by 2040. To achieve this, big investments will need to be made to ensure the UK's infrastructure networks are futureproofed to ensure these ambitions can be achieved.

Connectivity across cities and the country will be vital for this and – especially in the case of electric cars – the infrastructure is simply currently not there to cope with such changes.

Having previously set out a range of ambitious targets, 2019 will see both central government and local government policymakers turn greater attention to the practicalities of the infrastructure required to meet them. From electric vehicle charging points and delivering a fibre network rollout capable of supporting 5G to more prosaic measures such as road planning to facilitate increased cycling levels, the year ahead will generate opportunity for organisation as futureproofing gets underway.