CBI Response to HM Treasury and Infrastructure & Projects Authority Infrastructure Finance Review

Introduction

The CBI speaks on behalf of 190,000 businesses of all sizes and sectors. The CBI's corporate members together employ nearly 7 million people, about one third of private sector employees. With offices in the UK as well as representation in Brussels, Washington, Beijing and Delhi, the CBI communicates the British business voice around the world.

The CBI welcomes the opportunity to respond to the HM Treasury and Infrastructure & Projects Authority Infrastructure Finance Review.

The Government is investing record amounts in infrastructure and has indicated that the National Infrastructure Commission should plan on the basis that it will maintain spending on economic infrastructure at 1-1.2% of GDP between 2020 and 2050. However, with high ambitions, particularly in road and rail infrastructure, it has also identified the need to draw in more private finance to support its investment goals.

There is no shortage of money to invest. Businesses have suggested we are currently experiencing a golden period of liquidity in the infrastructure market as well as historically low interest rates making financing more attractive. Yet despite this strong desire from both the Government and business, there remain challenges to overcome.

Within this context, this response explores businesses' views on private sector investment in the UK's infrastructure. It draws on the expertise and experience of CBI members from across the infrastructure market, including investors, developers, engineers and consultants. It suggests steps the Government should take to increase investment into the UK's infrastructure to ensure it meets the social and economic needs of the country.

Chapter 2 – The Infrastructure Finance Market

The United Kingdom's infrastructure finance market is globally renowned with numerous strengths including historically strong legal and regulatory frameworks and an experienced pool of talent, expertise and innovation.

Businesses view London as a global centre for infrastructure finance, as investors from Europe, and beyond, gravitate there to conduct financial transactions. A significant level of liquidity and a welcoming attitude to foreign investment have been identified as beneficial components the UK successfully utilises to attract private finance.

In addition, the UK's infrastructure finance market benefits from significant levels of expertise and experience provided from investors, contractors and infrastructure providers, which gives it a uniquely strong position against international competitors. This enables the UK infrastructure market to contain different pools of capital, providing additional flexibility and tailored solutions for different infrastructure asset classes.

As a result, businesses have noted the UK has more privately-owned infrastructure assets than other countries, which has contributed to the perception of the UK as an attractive destination for international investors. In addition, businesses highlight the UK's diverse brownfield assets as a strength, providing a critical mass of opportunity for private investors which is not necessarily available in competing countries.

Businesses have suggested investment can be curtailed due to fluctuating currency risk. However, infrastructure projects offering low returns for low risk tend to remain stable through economic downturns, and long-term institutional investors tend to favour infrastructure for its ability to be a safe harbour for their funds.

Political turbulence, recent regulatory changes, flawed procurement practices and recent high-profile private sector failures have highlighted current weaknesses within the UK infrastructure finance market.

Businesses have suggested the combination of an overly politicised regulator and the threat of renationalisation highlight the extent to which the UK's infrastructure finance market is susceptible to changes in the political environment, which can deter private investment. Political neutrality is essential to help maximise the private sector's participation in UK infrastructure as infrastructure projects do not operate on political cycles.

Regarding regulation, businesses have highlighted recent draft proposals for significant cuts to the return which an investor can earn in the utilities sector[1]. Businesses have suggested this reduction in real equity return increases the cost of capital, regarding both debt and equity, as financial risk is increased. Businesses have predicted the proposal may reduce appetite for investment.

The UK's regulators should ensure regulatory proposals impacting infrastructure are aligned to advancing their core principles of encouraging competition and protecting consumers, and do not restrict competition or elevate consumer costs.

Businesses have suggested they are experiencing a reduction in willingness of banks to lend, wanting to reduce their exposure to firms in the sector. This is partially attributed to previous market failures such as Carillion. Furthermore, businesses have suggested the construction industry's appetite to deliver infrastructure projects has decreased, due in part to the Government's historical approach to risk transfer to the private sector against the low margins available.

Procurement of infrastructure has consistently been raised by industry as a frustration, with concerns around risk management, a lack of resource, insufficient commercial capability within government. For example, the CBI's 2018 public procurement survey found that over a third of businesses felt the Government's handling of risk had deteriorated since 2015, with almost half stating there had been no improvement during this period[2].

To address these issues, businesses have suggested public sector commissioners should shift their focus away from short-term cost-reduction to long-term outcomes and generating social value. Steps should also be taken to ensure projects appropriately transfer contractual risk, and that contracts contain less prescriptive project specifications to enable greater innovation and consideration of future technological developments. Businesses have also suggested too many infrastructure projects are procured in an onerous and overly complex manner, in part due to a reliance on standard forms and processes which are overly bureaucratic.

Businesses have suggested the Government too often prioritises the placement of risk off balance sheet, and that it too frequently opts for the cheapest possible deal rather than focussing on delivering long-term value for money. Current risk-sharing mechanisms also place a heavy burden on contractors, as financing partners are increasingly seeking compensation due to low Net Present Value (NPV) requirements. Businesses in the construction sector have noted this often results in the public sector transferring significant levels of risk onto the private sector, which in turn sees contractors passing this risk down through the supply chain.

In addition, a culture of risk aversion in the UK civil service is viewed by business as hampering innovation, with suggestions that civil servants currently have little incentive to take risks or innovate.

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[1] Equity returns more than halved in draft regulatory gas proposals by Ofgem - https://www.ofgem.gov.uk/system/files/docs/2018/12/riio-2_finance_annex.pdf

[2] *Partnering for prosperity: CBI/Browne Jacobson 2018 Public Procurement Survey*

Businesses have partially attributed this to departments being focused on keeping capital expenditure low, and public sector contracts being exposed to public scrutiny, be that from the Government, journalists, Parliamentary select committees, or the National Audit Office.

This overall environment could be particularly problematic for UK businesses, noting increasing involvement in the market by international contractors, predominantly from countries such as Spain, France, Germany and South Korea. However, those firms rely on the expertise and experience of UK businesses to operate successfully in the UK. Maintaining a strong domestic capability to deliver infrastructure, and ensuring businesses have the appetite to do so, will remain vital for the Government if it is to raise the attractiveness of a buoyant, capable and innovative market for investors.

A renewed effort to publicise the benefits of private finance in UK infrastructure is necessary to help restore confidence in the role of the private sector in delivering infrastructure.

Business believes the private sector's mandate for operating in infrastructure has been weakened in recent years, primarily through a lack of a concerted effort to highlight the benefits of the private sector's involvement in infrastructure. Businesses have noted there are many examples of private contracts in infrastructure resulting in fair returns for all parties, and beneficial outcomes for society. However, when infrastructure projects encounter issues, businesses suggest they are widely publicised, resulting in a damaging public perception of the private sector's involvement in infrastructure. Businesses recognise they have an important role to play in engaging with the public to promote the social benefits of their impact on society through delivering infrastructure. This is a necessary step to strengthen the private sector's mandate to operate in infrastructure.

To this end, businesses would like to see a joint effort between government and industry to promote the benefits and expertise the private sector brings to UK infrastructure.

Businesses have suggested this combined effort could take the form of an HM Treasury and IPA-led private finance infrastructure taskforce, with participation from industry. This could create a forum for the public and private sector to discuss how best to highlight the merits of private capital and the expertise, improvements and efficiencies it brings to assets.

- **Recommendation: A joint effort between government and industry to promote the benefits and expertise the private sector brings to UK infrastructure should be considered.**

The Government should be alert to political factors threatening the long-term appetite for investors to deploy their capital in the UK's infrastructure finance market.

Businesses have suggested political factors such as Brexit and the Opposition's renationalisation agenda are resulting in a reduction of investment interest in the UK's infrastructure finance market. Consequently, businesses are increasingly looking towards other markets for privately financed infrastructure, including the Republic of Ireland, France, the Netherlands, Canada and Australia. In addition, businesses have also suggested Brexit is having an impact on London's global credibility, and they fear this may result in a dispersal of the expertise and experience London enjoys. This would weaken a key strength of the UK's infrastructure finance market.

Committing to a long-term infrastructure pipeline of projects and signposting how the necessary funding can be accessed would help mitigate some political uncertainty. The Government could also commit to an agreed level of public money to be invested in economic infrastructure, as recommended by the National Infrastructure Commission[3]. This step would give businesses the

[3] National Infrastructure Assessment, July 2018: "*The government has given the Commission a long-term funding guideline for public capital expenditure, the 'fiscal remit'. The Commission "must be able to*

confidence to bid for, and deliver, UK infrastructure projects. This is because businesses would have the confidence these projects are more likely come to market. Consequentially, more international investors would be attracted to provide financial support for these projects.

- **Recommendation: The Government should deliver on the National Infrastructure Commission's recommended level of public spending on UK infrastructure projects in its forthcoming spending review.**

The Role of the European Investment Bank (EIB)

Businesses broadly support the role of the European Investment Bank (EIB), and its contribution to the UK's infrastructure finance market.

Businesses view the EIB as a useful institution, facilitating international participation in the UK infrastructure finance market, and decreasing risk to banks. The EIB provides cheap debt on infrastructure projects facilitating involvement from equity investors. In addition, businesses have credited the EIB with providing early finance in markets where little capital exists. For example, businesses value the role the EIB plays in providing early finance in emerging markets or cutting-edge projects, as this allows confidence to grow for potential investors, and enables investment in innovative technologies and sectors. Furthermore, businesses have credited the EIB with resolving affordability issues across numerous contracts, facilitating the sharing of costs fairly between funders and sponsors. Businesses have noted the EIB's role in solving complicated contracts to enable smooth transactions. For example, businesses see the EIB as a standard-setting body in contract behaviours.

However, businesses have noted on certain social infrastructure projects that the EIB's involvement has been unnecessary due to there being significant capital available. In addition, businesses have highlighted that the EIB can sometimes act as a politically driven body, focusing on increasing connectivity within the European Union, and not always on delivering efficiency and maximum value for money.

In the absence of EIB involvement, businesses have suggested private infrastructure investors can provide investment in viable infrastructure projects. However, the ability of infrastructure investors to participate in UK projects will depend on a stable economic and regulatory environment. Businesses have suggested the Canadian investment bank is an example of good practice to this end. Businesses have suggested without a replacement for the EIB, funding energy-based infrastructure initiatives such as nuclear, fibre networks and general environmental infrastructure could be more difficult.

Businesses have suggested if the Government opts to create a new body, it would be sensible to consider what specific infrastructure projects it would target private finance for, e.g. roads, social infrastructure, or green/carbon capture infrastructure. This is because without a clear remit, it is likely to be less effective. Businesses have suggested the Government may consider adopting the Green Investment Bank's operating model, which stimulated growth in the UK renewable energy sector and has since been successfully privatised.

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demonstrate that its recommendations for economic infrastructure are consistent with, and set out how they can be accommodated within, gross public investment in economic infrastructure of between 1.0% and 1.2% of GDP in each year between 2020 and 2050"

Chapter 3 – Investment Models and Existing Tools

Businesses have suggested there are emerging technology-orientated sectors, which the UK should exploit to facilitate more private investment in infrastructure.

Clean gas has been identified as a vital component to the future sustainable energy mix. However, businesses cautioned it cannot be developed in the private sector without government support, which does not currently exist. Businesses have identified further opportunities in areas such as: flood defence and tidal barriers, renewable power and electrolysis (green hydrogen), thermal energy storage, electric vehicles and associated impacts, digitalisation, floating wind, Supergrid technology, Nuclear SMR (Small Modular Reactors), Agritech and vertical farming, and Carbon Capture Storage.

Businesses have, however, suggested these technologies will likely experience funding issues due to the associated risk of entering a new market, and the barriers to entry linked to technology costs. However, businesses note such projects can become more economically viable upon reaching a more advanced stage. These areas will require significant sums of capital to finance and would need initial government support to encourage private investment. However, over the longer term, this would reduce the UK's carbon footprint and increase its energy security.

There is a precedent for this impact being achieved, as the EIB played a key role in stimulating investment and delivery of offshore wind, helping increase offshore wind's contribution to the UK energy mix eight-fold between 2010 and 2017[4]. While the UK should not be closed to different lenders, business have suggested an institution of a similar nature can help drive early investment into new technologies.

- **Recommendation: The Government should set out how support for emerging technology-orientated sectors in infrastructure can be attracted, where early finance is required to help build private investors' confidence in the market.**

The Government's decision to discontinue PFI/PF2, with no replacement model proposed, has created uncertainty about their appetite to increase private investment in UK infrastructure.

Businesses have suggested that the Government should look at new ways to support the facilitation of private finance into UK infrastructure. This will ultimately benefit consumers through the expertise and capital which investors can bring to improve the performance of assets. The Government has acknowledged around £300bn of money is needed from the private sector to deliver the projects in the National Construction and Infrastructure Pipeline, and, a fiscally responsible government should be looking to ease any further burden on the taxpayer.

Businesses suggested the Government's decision to discontinue PFI/PF2 as an investment model created further uncertainty, with investors questioning the Government's appetite to partner with private investors in financing UK infrastructure. Furthermore, the Government's decision has created uncertainty regarding the viability of live PF2 infrastructure projects. Businesses observed that the number of infrastructure projects delivered under PFI were on a steady decline in recent years. While PFI attracted criticism over how it was delivered, the model was considered to be a sound delivery mechanism, when managed correctly, and could have been applied to future road and rail projects.

If businesses do not have certainty about forthcoming projects, they cannot confidently put economic infrastructure at the heart of their business's long-term strategy. However, businesses recognise the shortcomings of the PFI/PF2 models, including the potential for higher costs to be placed on the taxpayer and their operational inflexibility, if the model is applied poorly. These concerns have also been noted by the National Audit Office (NAO) and the Treasury Select Committee[5][6].

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[4] HM Government Offshore Wind Sector Deal, 2019

[5] HM Treasury, PFI and PF2, Report by the Comptroller and Auditor General, 18 January 2018

[6] House of Commons Treasury Committee, Private Finance Initiative, Seventeenth Report of Session 2010-12

Businesses acknowledge the Government's assertion that it will not seek a like for like replacement for PFI/PF2. Nevertheless, businesses note that PFI/PF2 continues to be used today, with success, in competing countries such as the Netherlands, Norway and Australia.

- **Recommendation: The Government should explore options for a replacement vehicle for attracting private finance to UK infrastructure, particularly for those projects outside of the utilities sector.**

Businesses have highlighted the Regulated Asset Base (RAB) model as a useful model to explore.

Businesses suggested the development of the RAB model in the 1990s created a model which is transparent, independent and stable, thereby providing assurances to investors and lenders in UK utilities. The RAB model's robust regulatory regime ensured strong investment grade credit, and consequently, access to cheap debt and equity to support significant capital investment for the benefit of consumers. However, businesses recognise the RAB is not a silver bullet to this issue, and acknowledge its weaknesses, including suggestions it may incentivise over-investment in capital assets at the expense of consumer outcomes.

Businesses have raised concerns, however, that investors are being put off by what is perceived to be persistent attacks on the RAB investment model from regulators, because of the involvement of private finance investors. The Government should take care to communicate the virtues of the model to ensure it commands investor confidence over the long term and does not go the same way as PFI.

Whichever model the Government opts to utilise, businesses would like to see this accompanied with sensitive, long-term regulation aimed at balancing the delivery of consumer outcomes, while providing secure investment returns to owners.

Businesses would like the Government to work with industry to develop a mechanism for bringing forward market-led proposals for infrastructure projects.

Businesses have suggested the rules for private sector engagement remain unclear for such proposals. Considerable costs are often incurred during the design and development stages, and there is no protection or confidentiality for the proposal as government often then brings the idea to market for competitive bidding. Protections of intellectual property and/or compensation payments for market-led proposals could be put in place to incentivise the private sector to come forward with proposals.

It has been suggested there is little reason the Department for Transport's (DfT) guidance on Market-Led Proposals, which encourages private companies to submit ideas to the DfT for improvements and additions to the current rail network, could not be applied to other sectors across infrastructure delivery, and adapted to the requirements of other Government departments[7]. The guidance outlines how the private sector can be incentivised to bring forward proposals before tenders are in the market, such as by reimbursing costs of intellectual property development once ideas are taken forward. Supporting more proactive private sector involvement could further increase confidence in projects making their way through the pipeline, as well as encouraging innovation.

Greater flexibility on contracts, and a broader promotion of transparency and collaboration on public-private contracts are short term measures that could improve the UK's infrastructure finance market.

Businesses would like to see a move away from conventional standard form contracts and the Net Present Value (NPV) calculation. Businesses have suggested as technology develops, contracts will

[7] The Infrastructure Forum: '*Sustainable Procurement, A Vision for UK Infrastructure*'

need to be drafted based on assessing risk over a long-term period of up to 25 years. In addition, businesses would like to see the Government explore the viability of contracts containing cost-plus pricing, and profits capped with options for an appropriate level of risk transfer, conducted on an open-book accounting basis.

A re-evaluation of the method used to price contracts would also be welcomed by businesses. Indeed, it has been suggested that attempts to cost a 10-year construction programme on a 25-year operating period rarely delivers value for money, because estimations at the outset about cost and delivery are especially difficult to make without substantial data.

In addition, businesses have suggested it is necessary to move away from the NPV calculation because this often leads to the cheapest option winning contracts. Businesses have observed that if value for money is primarily assessed by lowest cost, equity may be driven out of the UK infrastructure finance market. In the Government's Outsourcing Playbook, guidance recommends outsourcing teams undertake 'should-cost modelling' for complex outsourcing contracts[8]. In the CBI's report, 'Markets for Good', the business welcomed this development, and called for this model to be extended to construction and civil engineering projects.

Governmental bodies should consider the cultural behaviours they adopt to obtain the maximum value from a project. For example, businesses have noted they are often asked to price projects before there is enough knowledge to accurately assess the risk that may be involved. Businesses have suggested this could be mitigated if the Government promoted a culture of transparency and collaboration across all parties involved in the delivery of infrastructure projects, aimed at finding the best value for money rather than driving down cost.

Businesses have highlighted the approach in Canada as one to consider. For example, major infrastructure projects are approved on a cross-party basis to speed up political consensus and proceed with construction for greenfield projects.

Businesses have suggested there is an urgent need to improve the handling of risks in construction sector projects.

The increased aversion to risk in the public sector has seen government procurers transfer more responsibility for risk to the private sector. Frequently, however, this is a move that shifts up front capital costs to the private sector but does not consider how that impacts the ability for suppliers to successfully deliver the infrastructure required. To rebalance the management of risk in infrastructure projects, the Government should look to embed the principles on risk allocation in Cabinet Office's Outsourcing Playbook, published in 2019. This should include public sector commissioners establishing joint risk registers with bidders and ensuring contracts do not ask suppliers to take on unlimited liabilities.

To mitigate the public sector's exposure to risk, government should also ensure the private sector's role in building and operating infrastructure is rewarded more frequently for meeting long-term objectives. This should include reducing the environmental impact of infrastructure projects, increasing Government's return on investment and delivering anticipated social benefits such as job creation within a local community. As stated above, businesses have suggested tools such as the balance scorecard, which attempt to consider some of these factors, have not yet yielded sufficient impacts in practice.

One example that considers the role of international supply chains, would be where projects utilising cross-border services and components can benefit from Export Credit Coverage (ECC) during the construction, and operating, phases of projects, through a risk insurance partner. Businesses predict ECC could provide additional sources of funding, lower overall project risks for financing and contracting partners, and reduce the requirement for contractors to provide full risk mitigation. Businesses suggest this measure could also help keep NPVs low due to a low funding cost through government-backed Export Credit Agency-cover.

[8] https://www.gov.uk/government/publications/the-outsourcing-playbook

- **Recommendation: The Government should look to embed the principles on risk allocation in Cabinet Office's Outsourcing Playbook.**

- **Recommendation: The Government should ensure the private sector's role in building and operating infrastructure is rewarded more frequently for meeting long-term objectives.**

Chapter 4 – Governance

To facilitate increased private investment in UK infrastructure, businesses would like to see the Government focus on creating a clear governance structure and an enabling regulatory environment.

Improving governance structures in the UK Infrastructure market and increasing clarity around decision-making have been raised as two key issues by businesses. Clearer lines of accountability and better cross-government collaboration would help create more confidence and favourable conditions and allow for greater investment in projects. This needs to be coupled with a supportive financial regulatory environment.

While current investor appetite for infrastructure is high, businesses have suggested the effect of cumulative prudential regulation may have a negative effect on an investor's ability to invest in the coming years.

Post-2008 crisis, the financial services sector has a clear mandate to de-risk the provision of capital, especially among financial institutions with retail clients. Regulatory developments including Solvency II, Basel III and Capital Requirements Directive V all take steps to reduce the exposure of banks and insurers to investments that have been defined as 'high risk' or illiquid, which can include infrastructure projects.

Government should therefore consider the role governance plays in the rating and security of UK infrastructure. Clear and supportive governance, with clear ownership, would help lower the risk rating of infrastructure assets for financial services institutions. The Government could explore how the IPA's "*commercial experts with the knowledge and experience to effectively support infrastructure finance*"[9] could form, or expand, an investor relations function that specifically engages with international investors. This would serve two purposes: a regular and informed 'pulse check' of the investing environment and sentiment to the Government, and timely feedback to the investment community on the status of UK infrastructure market.

Businesses have suggested the Government should set out a clear governance and accountability structures for UK infrastructure across all relevant departments and agencies, including HM Treasury, the DfT, NIC and the IPA. For example, the IPA is a useful resource for businesses operating in infrastructure. However, it is not widely understood where the IPA sits within Government, and its specific role. Businesses would like to see the IPA further clarify its role and remit for the benefit of international investors. Knowing who the decision-maker is at different points in the process will allow the private sector to engage and support the relevant department during the development of projects. Raising challenges efficiently will also help to avoid obstructions. Greater transparency from government could also lead to increased accessibility of data and information. In turn this could help encourage best practise to be shared across relevant departments or authorities.

- **Recommendation: The Government should develop a comprehensive investor relations function that specifically engages with international investors to encourage greater inward investment in UK infrastructure.**

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[9] HMT & IPA, Infrastructure Finance Review consultation, March 2019

Businesses have suggested that operationally independent bodies, separate from government, would better hold it to account on infrastructure delivery.

Currently, the IPA is seen as a resource containing useful expertise, but that its position under both the Treasury and the Cabinet Office is deemed obstructive. Businesses suggest an operationally independent IPA could utilise its expertise to support devolved areas in infrastructure commissioning, where expertise is considered scarce. Additionally, an independent IPA could better support key government departments, as currently businesses suggest a plethora of industry experts sitting across numerous government departments has led to a fragmentation of standards for similar types of contracts.

Businesses have also highlighted the NIC as an important body, providing strategic direction on infrastructure delivery. However, businesses also note the NIC is not independent, limiting its ability to hold the Government to account on infrastructure delivery.

Businesses have suggested the IPA and Cabinet Office have been able to develop useful tools that should be utilised and promoted across government more widely; for example, the balance scorecard for growth. However, it has been noted the scorecard is currently underused and when deployed, it is done in an overly simplistic manner not taking the complexity of projects into consideration, leading to the cheapest bid winning. Feedback from business suggest an independent body should be responsible for such tools as they would have better success in embedding them across government departments.

- **Recommendation: The Government should consider the feasibility of giving greater independence to the NIC so that it is empowered to hold the Government to account on infrastructure delivery.**

Businesses suggest the Government could improve confidence in the National Infrastructure and Construction Pipeline by prioritising projects within it, taking a programme approach to delivery, shortening timescales and ensuring projects brought to market are 'bankable'.

Businesses have suggested there is currently a lack of confidence in the Government's National Infrastructure and Construction Pipeline, both from a developer and investor perspective. The current infrastructure pipeline is seen by many firms as too large and complex, with the information it contains being frequently mis-interpreted. Furthermore, businesses have suggested many of the current projects listed in the pipeline are not economically viable to a significant number of infrastructure investors.

Businesses have therefore indicated greater prioritisation in the pipeline is necessary and have suggested that a priority list of around five top projects, where there is a clear opportunity for private sector investment, should be highlighted.

Businesses have suggested three further steps to increase the private sector's confidence in the infrastructure pipeline.

Take a programme approach – Building on reforms to the pipeline, the Government should consider aggregating smaller projects with a similar risk profile as part of an overarching programme of projects, rather than a series of individual ones. This would make them more attractive for investment as there is a sustainable pipeline of infrastructure projects that allows for a coherent, long-term investment strategy.

Ensure projects are 'bankable' – Investors are unlikely to commit funds to a project unless it is 'bankable', meaning that before committing resources, there needs to be evidence of a project's feasibility. This is not just in financial terms but also in terms of social, economic, technical, environmental and administrative factors. There should also be a clear sense of the project's purpose and objectives as well as sensible or appropriate risk allocation to ensure investors understand a project's viability.

Shortening timescales – It has been highlighted that projects often take too long to come to market, which lessens the interests of those wanting to invest. These delays add further costs, which are often not recouped, and risks to the project. As such, the Government should aim to set shorter and clearer timescales for scoping project proposals and approving them.

Conclusion

The Government's Infrastructure Finance Review consultation document sets out a detailed and clear assessment of the UK's infrastructure finance market, providing useful examples of investment models the private sector can utilise to facilitate investment in UK infrastructure projects. In addition, the consultation document provides a welcome summary of the Government's considerations on the future of the UK's relationship with the European Investment Bank.

Businesses would like to see the conclusion of this consultation process result in concrete government policies aimed at addressing the challenges outlined in the CBI's submission. Issues around procurement practices, risk transfer in infrastructure projects, the National Infrastructure and Construction Pipeline and investment models will need to be addressed to ensure more private finance is attracted to UK infrastructure.

To this end, businesses would like to see the following steps implemented by the Government to attract more private finance into UK infrastructure:

1. **A joint effort between government and industry to promote the benefits and expertise the private sector brings to UK infrastructure should be considered.**
2. **The Government should deliver on the National Infrastructure Commission's recommended level of public spending on UK infrastructure projects in its forthcoming spending review.**
3. **The Government should set out how support for emerging technology-orientated sectors in infrastructure can be attracted, where early finance is required to help build private investors' confidence in the market.**
4. **The Government should explore options for a replacement vehicle for attracting private finance to UK infrastructure, particularly for those projects outside of the utilities sector.**
5. **The Government should look to embed the principles on risk allocation in Cabinet Office's Outsourcing Playbook.**
6. **The Government should ensure the private sector's role in building and operating infrastructure is rewarded more frequently for meeting long-term objectives.**
7. **The Government should develop a comprehensive investor relations function that specifically engages with international investors to encourage greater inward investment in UK infrastructure.**
8. **The Government should consider the feasibility of giving greater independence to the NIC so that it is empowered to hold the Government to account on infrastructure delivery.**

CBI members are committed to building a strong business-government partnership to help facilitate the infrastructure finance market necessary to deliver the infrastructure the UK needs in the future. We would welcome the opportunity to discuss this submission further.