Submission by the Chartered Institute of Logistics and Transport

to the

HM Treasury National Infrastructure Commission Consultation

Introduction

1. The Chartered Institute of Logistics and Transport ("the Institute") is a professional institution embracing all transport modes whose members are engaged in the provision of transport services for both passengers and freight, the management of logistics and the supply chain, transport planning, government and administration. Our principal concern is that transport policies and procedures should be effective and efficient, based on objective analysis of the issues and practical experience, and that good practice should be widely disseminated and adopted. The Institute has a number of specialist forums, a nationwide structure of locally based groups and a Public Policies Committee which considers the broad canvass of transport policy. This submission has been prepared by the Institute's Roads and Traffic Policy Group.

2. The Chartered Institute of Transport (CILT) warmly welcomes the setting up of the National Infrastructure Commission with a view to providing expert and politically neutral advice on the infrastructure needs of the country. We are generally content with the arrangements set out in the Government's consultation document but have a number of comments, particularly on the Commission's remit (section 5).

The fiscal envelope (para 5.14).

3. It is reasonable that the Government should set some limits to the total spend the Commission can propose and a % of GDP could be a sensible starting point, but we agree that the Commission should be able to suggest a "limited percentage uplift" if it can show major economic benefits. The Commission might for example recommend that Government should follow the Department for Transport's approach of classifying schemes by a value for money category and funding those that meet some minimum threshold. In the case of the DfT schemes, this broadly equates to schemes which deliver projected benefits which are at least double the scheme costs. Similar guidelines could be developed for energy and other infrastructure projects. It is important to remember that many of the benefits of transport infrastructure that matter most to users and taxpayers are not directly measured by GDP.

The effect on consumers. (paras 5.13-5.17).

4. This no doubt has energy mainly in mind. But whatever the area, it does not seem sensible to say that (para 5.16) the proposals should have the least possible impact on consumer bills. Quality of service is a further consideration of relevance to consumers, as are any external impacts which happen to fall outside the fairly extensive broader regulatory framework (which would include, for example, the EUETS carbon trading scheme). The Department for Transport's cost benefit appraisal guidance (WebTAG) includes all of the significant impacts of an intervention, including the effects on health and the environment. The benefit: cost ratio for consumers or the economy more generally might be greater if the charges and expenditure were higher, so that prices were used to ensure an economically efficient balance between demand and supply. This would almost certainly be true of peak hour transport investment.

5. Much of the text in section 5 and the questions posed relate to utilities for which the relationship subject to regulation is that which exists between the consumer and the private sector provider. It does not extend to sectors such as transport, in which the balance to be drawn is between the taxpayer as the funder of infrastructure and the transport user as beneficiary. There is a case for reviewing the relationship between the discount rate used in the appraisal of all government investment (3.5% pa for the first 30 years, declining by 0.5% each subsequent 30 year period) and the need for Departments such as Transport to ration funding, as described above, so that in most cases only the best performing schemes – those with benefits double their costs- are deemed affordable.

Setting the remit (para 5.19.)

6. We can see why the Government propose that the Chancellor should set the remit in a letter from him. But this must not unduly constrain what the Commission can identify as being economically desirable. In our view the political neutrality and independence of the Commission needs to be safeguarded by consulting openly on the remit and making it subject to Parliamentary approval. The Commission's reports and conclusions must be equally open and transparent and in our view all its reports should be presented to Parliament unless in a particular case there are exceptional reasons not to do so. Greater transparency should help to demonstrate the case for future investment and help to increase the private sector's involvement in those sectors which currently rely on public funding and at the same time reduce the risk of future policy change.

7. Where the Commission's conclusions have implications for local authorities or other bodies, including economic regulators, we would expect them to have been discussed with them beforehand; and any disagreements should be made public at the time of publication. Where the Government or Parliament endorses the NIC's recommendations, it follows that economic regulators should have regard to them.

8. The examples given in 5.19 – supporting economic regional growth or delivering

sustainable infrastructure seem inadequate and difficult to demonstrate conclusively. We assume that the term ‘sustainable’ can be taken to mean that the investment conforms with Treasury Green Book guidance and with the methods developed by spending departments (such as DfT’s WebTAG) to customise the Treasury’s advice. The Commission might be asked (or itself wish) to undertake research into the relationship between infrastructure and economic growth at a national or regional level so as to be in a position to provide robust estimates of the effect on GVA to supplement the evidence about the expected outputs from the investment appraised using conventional Treasury Green Book methods.

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