‘We must demonstrate how private investors have improved the performance and efficiency of infrastructure’

The UK has long been recognised as a leader in innovative approaches to the use of private capital in the provision of our infrastructure

BY ANDY ROSE, chief executive of the Global Infrastructure Investor Association

As I travel abroad and engage with governments, I am often struck by the many comments on how much the UK has achieved through our ambitious, strong, fair and transparent regulatory and contractual frameworks, pioneered over the past 20 to 30 years.

Yet, when I return to these shores, I find that we have a loss of self-confidence with privatisation and public-private partnerships (PPPs) increasingly being presented here as a betrayal of the public. Our younger generations were not around to see the improvements that privatisation brought to the UK, business has stopped making the case and very few politicians are standing up for an approach that has worked well, and the UK economy will need going forward.

To disagree, you must believe the public sector is more efficient at the delivery of infrastructure, that sustained investment in upgrading our infrastructure is more likely when investment decisions are made in a political environment, which emphasises short-term decision-making, and that the money tree does indeed exist. To those who do, I say be careful what you wish for.

The need for continuing investment is clear, with the latest assessment of the UK's future pipeline being £600 billion. High-quality infrastructure makes our lives better; it stimulates economic growth and creates local jobs. Now more than ever we need to demonstrate that the UK is an attractive destination for international companies and high-quality infrastructure is a critical element of this.

In theory, we can make this investment without private capital, but only through a massive increase in direct taxation and government borrowing, as infrastructure has to be paid for somehow. And so we should be very clear on the adverse implication of a negative message to international investors about how welcome their money is.

Critics of the use of private capital should also consider where the funds actually come from. In many cases, it is UK pensioners, putting their savings into long-term stable investments that provide an income stream for their retirement. We should promote this.

My argument is not public sector bad, private sector good. The public and private sectors have and should have different skillsets. The public sector has an important role in setting policies, prioritising projects, making the rules and pricing mechanisms. The government has a significant toolkit in how to deliver our infrastructure, including direct procurement, privatisation, PPPs and joint ventures.

It is critical these options are better understood, that the decision-making process is clear and there is a robust evaluation of what has been actually achieved, something I think is profoundly lacking at the moment.

But the private sector must do more to demonstrate, with a real evidence base, the benefits of private sector skills, the use of its capital and ownership. The failure to do this well has left a void that is being filled with great effect by critics. As a sector, we must demonstrate clearly how private investors have improved the performance and efficiency of the infrastructure they own and operate, while responding to challenges set by regulators on behalf of consumers.

The industry must show that it manages public assets effectively, demonstrate good governance, and identify where it has invested in new and upgraded infrastructure. In return, it needs a fair and consistent framework and political support. If these things are in place, the public and private sectors can build a better Britain together.

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