

# Infrastructure Projects & Politics

By  
Jay Jayasundara

# Agenda

- Introduce myself
- Brief background to the Prime Minister's Office
- Capital projects – do we need Investment appraisal?
- Role of Politicians & Politics in Capital projects
- Q & A

# Prime Minister's Office

- No 10 Downing street
- Front door
- Cabinet Room
- Stair case
- White Room
- Terracotta Room
- Pillared Room
- Dining Room

# UK - Infrastructure Projects

- Infrastructure Investment
  - Creates short-term regeneration
  - Immediate boost to the economy
  - Creates long term economic growth
- Used sometimes as the lever to regulate economic activity
- Up side – good when investment is pouring in
- Down side – bad when investment in Infrastructure is cut back to regulate economy
- Result - “Infrastructure Investment” uncertainty; delays; stop-start; changing scope....

# Investment Decisions

- Balance between:
- Costs
- Economic Benefits
- Environmental damage/enhancement
- Sustainability
- Social/public need

# Costs & Benefits

- In UK - Limited funds for capital investment
- Govt borrowing is at all time high
- Infrastructure projects competing with each other for funding
- Should investment be purely on the basis of economic benefit?
- How do we make investment decisions when funds are limited?
- Needs some form of ranking system for investment
- UK – uses HM Treasury “Green Book” – “Appraisal Evaluation in Central government”
- Revised in 2011 – acknowledges “social cost” of Infrastructure and other capital investment

# Environmental/Sustainability

- What are the environmental cost of Infrastructure Projects?
- Should flora and fauna have monetary values attached?
- In UK – we have AONB, SSSI, EU protected species....
- Destruction of such flora & fauna have long term damage
- Operational pollution – how do we take account of this?
- Infrastructure project – HS2, 3<sup>rd</sup> Runway at Heathrow – brings about:
  - Air pollution
  - Noise pollution
  - Light pollution
- These environmental impacts are permanent and not reversible

# Social/Public needs

- Targeted Investments - after a closure of an Industry – overrides economic assessment
- Olympic Park – a national commitment to host Olympics - does not have to compete with other priorities
- A need for a national monument – following a disaster – supporting public emotion
- A major new sewer main around London or Flood defences against rising River Thames water levels – is a public need



# How then do decisions get made?

- People elect – representatives to the parliament
- Based on majority representation – a government is formed
- Government of the day – represented by ministers and Prime Minister - govern the country
- In governing – decisions have to be made based on broad principles and guidelines – they are discretionary
- Politicians are aided by rules and guidelines – planning regulations, public inquiry process, environmental protection acts...
- Ultimate decision to in an Infrastructure Project is made by the Minister responsible supported by the HM Treasury for funding
- Decision is based on – the Economics, Environmental/ Sustainability impact and Social/Public needs

# Overview

- Is infrastructure investment decisions totally transparent – Yes? No?
- Can it be totally justified on economic case only? – probably not?
- Do we have a balanced decision making process ? – probably not?
- Decisions making by politicians /ministers tries to replicate a balanced frame work? Probably yes?
- Is this a perfect system? Probably not? But.....
- Should Ministers have the final say in public investment?

Q & A