HOUSE OF LORDS

Library Note

Infrastructure (Financial Assistance) Bill (HL Bill 43 of 2012–13)

The Infrastructure (Financial Assistance) Bill would authorise the Government to provide financial assistance of up to £50 billion to support infrastructure projects. This Library Note provides summaries of the debates held in the House of Commons on the Bill at second reading on 17 September 2012 and at committee stage and third reading on 15 October 2012. It should be read in conjunction with the background briefing provided by the House of Commons Library *Infrastructure (Financial Assistance) Bill* (12 September 2012, RP 12/54).

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1. Introduction

The Infrastructure (Financial Assistance) Bill (HL Bill 43 of 2012–13) authorises the Government to provide financial assistance of up to £50 billion to support infrastructure projects. This follows a Government announcement in July 2012 of the UK Guarantees Scheme which will "accelerate and bring forward investment in major UK infrastructure projects in response to difficult market conditions" (Bill 43 EN 2012–13, 17 October 2012, para 3). This short, four clause Bill also requires the Government to report to Parliament about commitments made at the end of each financial year. It was introduced in the House of Lords on 16 October 2012, following completion of its passage through the House of Commons. The Bill has been certified a Money Bill and is scheduled for second reading on 23 October 2012. It is expected to complete its remaining stages the same day.

This Library Note provides a short summary of debates on the Bill in the House of Commons. It should be read in conjunction with the background briefing provided by the House of Commons Library, *Infrastructure (Financial Assistance) Bill* (12 September 2012 RP 12/54), produced in advance of the Commons second reading. In addition, the Parliamentary Office of Science and Technology (POST) Note *Resilience of UK Infrastructure* (1 October 2010, POST PN 362) outlines efforts to improve the resilience of the UK's infrastructure to the risk of natural hazards and climate change. Copies of the Bill as introduced in the House of Lords can be found on the Bill pages of the Parliament website, together with other useful information and resources relating to the Bill.

2. Second Reading

Opening the debate, Danny Alexander, the Chief Secretary to the Treasury, set out the rationale for the legislation. He told MPs that access to finance was inhibiting construction of infrastructure projects and that such difficulties were not "because of poor commercial or economic viability of projects, but because of temporary capacity constraints in debt markets and significantly longer lead times to secure lending commitments" (HC *Hansard*, 17 September 2012, col 676). The Bill was therefore being expedited, with the agreement of the Opposition, "so that we can provide the necessary financial assistance as quickly as possible and provide confidence to the markets that the Government will be in a position to do so". He added that "once Parliament approves the Bill we will be able to complete formal negotiations with project providers over financial assistance, which we would like to do as quickly as possible to prevent costly and unnecessary delay" (ibid, col 676). Mr Alexander explained that while the Treasury already had "wide powers under common law, not limited by statute, to issue guarantees, make loans and give other financial assistance in support of infrastructure", legislation was required because there was a "long-standing convention, dating back to 1932, that the Government should not rest significant and regular expenditure under common law powers on the sole authority of general supply legislation". Consequently, to proceed "the Government need Parliament's authority to incur expenditure in connection with agreements to provide financial assistance and to pay out on liabilities, should they be called on to do so" (ibid, col 681).

Mr Alexander said that the Government were "committed to delivering a sustainable, private sector-led recovery" that was "balanced across industrial sectors and geographical regions" (ibid, col 679). The Government's vision was of "an economy supported by a wide variety of industries across the United Kingdom" where the UK was "one of the best places in the world to do business, attracting foreign investment and promoting our exports" (ibid). He said "to achieve that vision, the Government are committed to delivering world-class infrastructure, thereby giving firms access to the communication and transport networks that they need, wherever in the UK they happen to be" (ibid, col 679). He added there was a "pipeline of £200 billion of upcoming investments in major necessary projects, most of which will be delivered through the private sector" and that, in light of "disruption caused by the instability of international markets and the Eurozone", "decisive action" was necessary to enable these projects to be delivered (ibid, col 679). Mr Alexander explained that the Bill did not "affect any existing authority to incur expenditure that might already have been conferred on a Secretary of State; nor will it cover expenditure by a Secretary of State that can properly rest on the authority of annual supply legislation, without requiring specific statutory authority" (ibid, col 683). He added that the Bill did allow provision to be made from the Consolidated Fund "where costs connected to the guarantee are incurred by the Exchequer that cannot reasonably be absorbed by the funds already provided by Parliament and where it is not possible to seek authorisation of Parliament for the additional expenditure—for example, because the House is not sitting". This was "to cover the commercial reality of situations in which payments need to be made very quickly following an unforeseen obligation. Without this provision, any guarantee could lack commercial viability" (ibid, col 683).

On the detail, Mr Alexander said that the Government intended to offer assistance in the form of guarantees "although the Bill makes provision for other forms of assistance that we intend to use only where unforeseen urgent provisions are required". He said the Government believed "that up to £40 billion of investment in infrastructure could be brought forward or accelerated under the UK guarantee scheme, using the powers in the Bill" (ibid, col 683). This would "help to deliver core infrastructure" that would support growth and improve the UK's energy, transport, water, waste and telecommunications. He added the scheme included "about £6 billion-worth of public-private partnership projects delivering essential public service infrastructure" (ibid, col 683). Guidelines would be issued and proposals would be scrutinised "to ensure that any proposal that receives an infrastructure guarantee is nationally significant, financially credible, good value for the taxpayer, requires a guarantee to get under way and is ready to start within a year". He assured MPs that "projects we expect to back will be structured to minimise the potential of losses to the Exchequer", so consequently "there will be minimal impact on public sector net borrowing as a result, except in the extreme circumstance that a guarantee is called upon or other forms of financial assistance are provided". A commercial charge for the services received by infrastructure providers would be levied so "ensuring that companies pay a fair price for the benefits they receive, and that the taxpayer receives a fair price for any risk being taken (ibid, col 684).

Mr Alexander added the Bill would also support up to £10 billion-worth of investment in housing. The Government would "use their hard-earned fiscal credibility to pass on lower costs of borrowing to support the long-term delivery of new affordable and private rental homes" (ibid, col 686). The issuing of "debt guarantees for a private rental housing scheme and the affordable housing scheme" would "give institutional investors the assurance that they need to invest in housing" (ibid, col 686). He assured the House that housing proposals would be "scrutinised and approved on the basis of presenting low-risk, high value-for-money investments". Again through Treasury scrutiny and application of a levy, there would be "a minimal impact on public sector net borrowing" (ibid, col 686).

These actions would "provide enormous benefits across the UK". The Government expected "the boost to housing construction, combined with our recently announced planning reforms, to generate around 140,000 jobs in the construction sector, and the infrastructure unlocked through UK guarantees could provide hundreds of thousands more" (ibid). There would also be "major long-term benefits for individuals, firms, households, and the whole UK economy" from the projects under this scheme which, for example, “could help businesses to take better advantage of 21st-century technology by improving broadband and mobile speed and connectivity”. He said that the housing guarantees, together with other reforms, “would contribute to the construction of up to 70,000 homes, including affordable housing, and opportunities for first-time buyers to get on to the housing ladder”. This would “ease conditions in overcrowded and overpriced residential areas, and will enable people to locate near to jobs” (ibid, cols 686–687). He concluded:

> The Bill contains measures that will support growth, jobs and families, all at minimal expected cost to the taxpayer. It will support the UK’s construction sector by providing access to finance for financially credible, high value for money projects. It will unlock the investment that the UK needs to make it one of the best places in the world to do business, and to support sustainable growth balanced across sectors and regions.
>
> (ibid, col 689)

For the Opposition, Rachel Reeves said her party would not oppose the Bill. However, she felt that its provisions were not “remotely adequate to meet the scale of the challenge we now face” (ibid, col 689) when “the UK economy had entered its third quarter of negative growth—the longest double-dip recession in British post-war history”. In addition, she said, unemployment had remained “unacceptably high”, youth and long-term unemployment was “a national disgrace”; and “headline employment figures conceal endemic under-employment”. There were also “record numbers” that were working “fewer hours than they want to” and “record numbers” that were “trapped in temporary work” (ibid). She added “the Chancellor’s promise of expansionary fiscal contraction” had “come to nothing” and criticised the Government for “plough[ing] on with a plan that everybody else knows has failed” (ibid, col 690). So to “kick-start the economy, get people back to work and get the deficit down in a sustainable way”, she urged the Government to consider a temporary reduction in VAT, a tax on bank bonuses, bringing forward infrastructure investment and a national insurance holiday for small businesses (ibid, col 694).

On infrastructure investment to date, Ms Reeves argued that the Government had failed to deliver on its promises across a number of sectors. She highlighted that “none of the road building projects in the autumn statement package have begun construction. The number of housing starts is down on 2011. Planning applications are taking longer to approve” (ibid, col 691). Ms Reeves said that in the construction sector “barely one in 10 of the projects” listed in the Government’s construction pipeline had “moved forward to procurement or construction, and almost as many of them have moved backwards” (ibid, col 691). Similarly, investment from the regional growth fund announced last year by Nick Clegg, the Deputy Prime Minister, had resulted in only “£60 million of the promised £1.4 billion... released to businesses, creating barely 5 percent of the 37,000 jobs promised” (ibid, col 691). Referring to the national infrastructure plan for £250 billion worth of projects, she said that based on ONS figures for infrastructure orders since the second quarter of 2010 it would “take not five years but more than 30 years for the Government’s grand plan to be delivered” (ibid, col 692).

The Bill, she said, was a “strange piece of legislation” that was “designed more to create the impression of activity and delivery than to get real results in the quickest way possible” (ibid, col 693). Ms Reeves criticised the lack of detail available about what new projects the scheme would support: “this is a guarantee scheme, but we do not know what it guarantees. This is a project to help infrastructure investment, but we hear no announcement about which infrastructure investments will go ahead that would not have done previously”. She added: “No wonder businesses and Members are sceptical and no wonder we are still in recession, if this is as good as the Government can get" (ibid, col 693). She was concerned that where Government support for projects was taken up, the Treasury's economic and commercial viability criteria could amount to a "dead-weight subsidy, aiding projects that would have gone ahead in any case" (ibid, col 693). She said that while the Opposition would not oppose the Bill they would not allow the Government "to use the scheme as a substitute for the real plan that the economy and businesses so desperately need". She stated:

> Instead of devoting themselves to the task of getting our economy moving again, the Government have put before us an infrastructure investment guarantee that guarantees no infrastructure investment—fast-track legislation that has had the effect of getting the scheme stuck in the slow lane. The Government are preoccupied with distracting us from their fundamental failure and inaction, but people's patience is wearing thin. We have had enough of initiatives and announcements: no more excuses, no more evasions—the Government need to get serious.
>
> (ibid, col 694)

The Bill was welcomed by a number of backbenchers. Crispin Blunt (Conservative) said having "achieved a level of market confidence" it was "absolutely proper that we now look to capital expenditure" (ibid, col 696). Thérèse Coffey (Conservative) described the Bill as "a great opportunity to consider areas where the Government are keen to develop infrastructure", suggesting telecoms and mobile coverage as possible beneficiaries (ibid, cols 713–714). Neil Carmichael (Conservative) described it as a "necessary piece of legislation", citing transport and energy as "classic examples of sectors in which more investment is needed, as a stimulant to create even more exponential economic activity" (ibid, col 722). The Bill, he argued, would "motivate the private sector to get involved" (ibid, col 723). On the Opposition benches, Hazel Blears (Labour) was cautious, suggesting that the Bill was a "real acknowledgment by the Government that cuts alone will not get us where we need to be so that our economy can start to fire, people can be employed and we can produce the growth that our country so desperately needs. It is too little, too late, but it is certainly welcome" (ibid, col 702). Nick Raynsford (Labour) said that while the Bill was "not a bad Bill" there was "deep scepticism" among MPs about whether the Bill would "deliver all that is expected of it" (ibid, col 736). Hugh Bayley (Labour) described infrastructure investment as a "tremendous opportunity to boost the number of apprenticeships in the UK construction industry" (ibid, cols 720–721).

A number of doubts about the Bill were also expressed by MPs. John Healey (Labour) said there were a number of unanswered questions: "We have no detail and we have no idea how the arrangements allowed for in the Bill will work". He said that "the Government have already asked for expressions of interest for funding and borrowing guarantees but have published no guidance" (ibid, col 698). In particular Mr Healey said he was concerned about the operation of the guarantees in relation to housing (ibid, col 700). Brian Binley (Conservative) said more information was needed about the relationship between the scheme and the national infrastructure plan and enquired as to whether any work had been done by the Government to ensure markets were ready to engage with the scheme (ibid, cols 709–711). Nick Raynsford (Labour) took issue with the criteria published in July by the Treasury. This, he said, described suitable projects as "shovel ready" that were "almost perfect, but not quite perfect enough to get funding". Why, he asked, would such good projects struggle to get funding? He was also doubtful about the Treasury definition of 'nationally significant' which was so worded that "many schemes that are in no way nationally significant could qualify under those criteria" (ibid, col 736). Hugh Bayley (Labour) asked whether flood defences fell within the Bill's definition of infrastructure and Roberta Blackman-Woods (Labour) was equally unclear as to what projects could be supported by the scheme. She pointed out that Building Schools for the Future projects that had been "pulled" could be "resurrected". Were this to be permitted, she argued, it would represent "really bad economic policy" (ibid, cols 715–716). Hazel Blears drew comparisons with the operation of the regional growth fund which, if copied, she said would mean the scheme "will not achieve what the Government, and certainly the Opposition, want it to" (ibid, col 703). There was some concern about the impact of the scheme on public finances. John McDonnell (Labour) drew parallels with PFI, claiming the scheme would "transfer the risk back from the private sector to the public sector, so now the public sector will take all the risk for schemes" (ibid, col 741). Hugh Bayley (Labour) also thought that the policy looked as if it were a "substitute or replacement for the PFI model" (ibid, cols 720–721). Earlier Mr Alexander took an intervention about whether the guarantees would be counted as public sector borrowing requirement (PSBR). He told MPs: "these guarantees will not score to the PSBR, except to the extent that one makes an assumption about them being called, which causes a bit of immediate public expenditure. It is only at the point at which a contingent liability is called on that it scores as public spending" (ibid, col 681).

There were numerous suggestions of infrastructure projects that MPs felt could benefit from investment. Crispin Blunt (Conservative) suggested there was a strong case for including prisons in such infrastructure projects (ibid, col 697). Priti Patel (Conservative) highlighted examples of road and rail projects in her constituency (ibid, cols 717–719) and Graham Evans (Conservative) mentioned the benefit HS2 would bring to his constituents (ibid, cols 700–701). Grahame M Morris (Labour) spoke about the importance of airports to regional economies and their "considerable potential". He said Ministers needed to consider the issue of Heathrow expansion "as our regional airports are suffering as a result of our uncertainty" (ibid, cols 728–729). James Morris (Conservative) made the case for expansion of Birmingham airport (ibid, cols 705–707) while John McDonnell (Labour) said he was worried Heathrow expansion could be supported under this scheme because "although the Bill is meant to account for ready-made projects—those on the drawing board and ready to be implemented over the next 12 months—there is no sunset clause. Furthermore, it can be renewed and additional sums can be bestowed simply by statutory instrument" (ibid, col 741).

In winding up the debate for the Opposition, Chris Leslie reiterated that his party would not oppose the Bill but said "we are a little cynical and sceptical, given the number of schemes that the Government have promoted with great flourish but then failed to deliver" (ibid, col 744). Framing the Bill in the broader context of the Government's economic policy, Mr Leslie said it lacked "not only substance but evidence that the Government understand what is happening in the economy". Furthermore the Bill contained "nothing to address the lack of demand in the economy" and it proposed "no change of direction to prevent the Chancellor's tax rises and precipitous cuts from exacerbating the contraction in the economy" (ibid, col 745). Sajid Javid, the Economic Secretary to the Treasury, responded for the Government. He reminded the House that the legislation was "possible only as a result of the decisive action taken by this Government to deal with the economic mess that we inherited". He said that the UK was "now a safe haven from the global debt storm" and that with 10-year gilt interest rates at 1.9 percent the Government were "now in a position to unlock private sector infrastructure investment" (ibid, col 746). He disputed claims the Government were spending less on infrastructure than Labour would have had they won the election, describing it as a "myth" (ibid, col 749). Responding to a number of points raised in the debate, Mr Javid confirmed to Hugh Bayley that there was "no reason" why flood defences should be excluded and noted that "strong cases were made" for possible projects. He added "if the promoters of these projects have not already done so, they should start the discussion immediately with the UK infrastructure team in the Treasury" (ibid, col 747).

The House of Commons gave the Bill a second reading on 17 September 2012, without division.

3. Committee of the Whole House

The Bill's committee stage took place on the floor of the House of Commons on 15 October 2012. There were just under two and half hours of debate on two groups of amendments to the Bill, in which time two divisions took place on Opposition amendments. The sections below summarise the main debates that took place.

3.1. First Group of Amendments

3.1.1 UK Infrastructure

For the Opposition, Chris Leslie moved amendment 11, which "would make it clear that the substantive powers in the Bill, which gave Ministers the ability to grant financial assistance to any persons, should be used for infrastructure in the United Kingdom" (HC *Hansard*, 15 October 2012, col 81). Mr Leslie described the Government's record on capital investment and their approach to infrastructure as "lamentable". He highlighted the Thameslink rail project; Green Hull Port carbon capture and storage facility and the 4G mobile spectrum auction and roll-out as examples of where the Government had failed to deliver (ibid, cols 87–89). The amendment would ensure the Government were focussed "squarely on the needs of infrastructure within the United Kingdom" (ibid, col 83) rather than "underwriting foreign construction schemes" (ibid, col 85). Barry Gardiner (Labour) queried whether the wording of the Opposition amendment would rule out energy infrastructure projects such as interconnectors for electricity and gas pipelines that would stretch across Europe from the Caucasus (ibid, cols 84–85). Mark Durkan (SDLP) was also concerned about the effect of the amendment on Northern Ireland, where he pointed out some projects have a cross-border character with monies coming from the Republic of Ireland (ibid, col 86). Mr Leslie accepted it was "necessary to frame a scheme that has sufficient flexibility" but added there were "dangers in enacting legislation that does not focus sufficiently on significant financial schemes, employment and jobs here in the UK" (ibid, col 87).

Sajid Javid, for the Government, defended the Bill as drafted. He said that it was "clear that the scheme relies on the spending cover provided by the Bill and is designed to facilitate and accelerate infrastructure investment throughout the United Kingdom economy". In reference to points made about cross-border projects, Mr Javid said "we would not want to be prevented from providing financial assistance to the UK aspect of the project because of a technical limitation" (ibid, col 102). Mr Leslie said he was unsatisfied with the answer given, insisting that "nothing in the Bill precludes the £50 billion from being used largely—never mind in part—to bankroll foreign infrastructure schemes".

At division, amendment 11 was defeated by 290 votes to 211.

3.1.2 Childcare

Opposition amendment 9 sought to add childcare to the types of infrastructure projects listed in clause 1(2). Mr Leslie explained that, while education was included in the set of infrastructure projects that might benefit from the scheme, childcare was "quite different", "an obvious anomaly which the Government should correct". He added: "We know that the costs of childcare are afflicting many families throughout the country, a number of whom are not necessarily choosing to enter employment because the childcare options are too limited or too expensive. One of the reasons why childcare is so expensive is that the facilities are expensive. We do not have enough of them, and we need more investment in them" (ibid, col 91).

Mr Javid said the Government did not support amendment 9, which was unnecessary because "social infrastructure, including childcare, is already captured under the Bill, and so any childcare facilities will be accommodated within the current definition". He added that "even including childcare within the definition would not ensure that a provider of childcare facilities was able to obtain financial assistance under the current scheme because the application will need to fall within the ambit of one of the schemes being operated which relies on spending cover provided by the Bill" (cols 102–103).

3.1.3 Heathrow

John McDonnell spoke to amendment 10, which he explained would explicitly exclude expansion of Heathrow from the Bill and so enact the "Prime Minister's commitment not to proceed with a third runway or expansion at Heathrow before the next general election" (ibid, col 96). In response Mr Javid reiterated the Government's policy and that the Independent Commission led by Sir Howard Davies would report in 2015. He said that "any decision on whether to support any of that report's recommendations will be taken by the next Government. In any case, the coalition agreement is clear on this issue. That represents the Government's position clearly, so I do not think there is any need for the amendment" (ibid, col 105).

3.1.4 Housing

Crispin Blunt (Conservative) spoke to amendment 4 which he said sought to remove the reference to housing in the Bill. Explaining that he had no intention of moving the amendment, he sought clarity about the possible imposition on local authorities of housing schemes that he feared may result from the Bill. In particular he wanted to ensure local representatives were not "being overridden in some rush to develop housing" (ibid, col 97). Sajid Javid said that the Government believed the definition of infrastructure should be broad enough to include housing but the Bill did not "deal with planning issues or take away planning authority from local authorities. He [Mr Blunt] should be reassured that the Localism Act 2011 is unaffected" (ibid, cols 105–106).

3.1.5 Projects of National Significance

Nick Raynsford (Labour) introduced amendment 2 that would insert the words 'the function of which has a national significance' to clause 1(2). This, he said, was to "limit the impact of the definition of the Bill to schemes of national significance" because, as drafted, the Bill was "incredibly broad". Though he was not opposed to the wording in clause 1(2) as such, Mr Raynsford said he was more concerned about the wording in clause 1(3) and subsection (4). This, he claimed, "in theory at least... would allow the Government to offer a guarantee literally on the repair of a door in a school or prison. Although that work might be entirely necessary and desirable, it is clearly nonsense for the provisions in this Bill, which are designed to allow major infrastructure schemes that are stalled for financial reasons to proceed" (ibid, col 99).

Ian Swales (Liberal Democrat) opposed the amendment, saying it would limit the definition of infrastructure and so "could mean that key elements of economic infrastructure would be omitted". He said projects like carbon capture and storage networks could be one such victim of a narrower definition (ibid, col 100). Hugh Bayley shared the concern, adding that "many schemes of local or regional, rather than national, significance ought to be candidates for consideration for the funds provided in the

Bill" (ibid, col 101). Sajid Javid said the Government did not support the amendment, which he said was problematic as it would "be difficult to define 'national significance' and that may take away from the overall intention of the Bill" (ibid, col 106). MPs, he argued, "will be aware that 'infrastructure' has a plain English meaning, namely the physical facilities and installations needed for the functioning of a community or a society" which included "transportation and communication systems, water and energy facilities, and public institutions, including housing, hospitals, schools and universities". This, he added, would extend to local flood defences which were "not excluded within the definition in the Bill. In the case of projects of that nature, applications should be made under the process and they will be considered like all others" (ibid, col 103).

3.2 Second Group of Amendments

3.2.1 Safeguards

Opposition amendment 7 sought to insert the words "shall give reasonable consideration to clawback provisions which safeguard the taxpayer" as a means to "safeguard" taxpayer's money. Chris Leslie argued that, as drafted, "£50 billion of guarantees could be underwritten for the private sector on pretty much any kind of scheme" and feared a situation where "gains from a private endeavour are privatised, but that any losses are socialised". The amendment would provide the means for the Treasury "to make sure that there are clauses in the underwriting contracts—the offers—that ensure that if significant gains are made in the long term, the taxpayer can have a share in some of the future profits". He added that the amendment did not say "that every contract should have a clawback provision: we are simply saying that the Treasury should be under a statutory obligation to give reasonable consideration to the insertion of clawback clauses in the contracts" (ibid, cols 111–113).

The amendment was defeated at division, 282 votes to 219.

3.2.2 Transparency

Simon Hughes (Liberal Democrat) proposed two amendments (amendment 12 and new clause 3) about transparency and the Bill's provision for annual reports to Parliament. He explained that "the amendment and new clause are prompted by the fact that we often do not know the identities of the beneficial owners of the companies with which the Government do business. Companies often have shares owned by trusts or other companies based in countries that do not require disclosure of ownership". He went on to give several examples of where this was the case. He started with reference to the M6 toll road which "is owned by Midland Expressway Ltd, which is owned in turn by the Macquarie Motorways Group Ltd, which is in turn owned by Macquarie Atlas Roads International Ltd of Bermuda". He went on:

> It is controlled by Macquarie Infrastructure Group, but the identity of its investors and therefore of the owners of MEL remains unknown and undisclosed. In 2006, however, they paid themselves a £392 million exceptional dividend, and over six years made a return on their investment of more than 150 percent a year. This sort of profit at the public's expense by we know not whom is not an acceptable arrangement, and I want the Government to be warned against it and to ensure that all owners are in the public domain.
>
> (ibid, col 113)

He argued that “we should require due diligence to be carried out in the same way as we require it for money-laundering prevention. The trouble is that it is not done properly and is not effective” (ibid, col 114).

The Minister, Sajid Javid, responded to these amendments at third reading. He told Mr Hughes that although he understood and sympathised with the principle behind the amendments, the approach they took “would not be very practical because debt instruments, particularly bonds, are tradeable and so, as with gilts, it would be hard to track the owners of those instruments”. Pressed by Mr Leslie about transparency in the evaluation process, Mr Javid added: “the process of analysing each of the applications under the Bill will include a thorough due diligence process, which will examine the beneficiaries in each case. The Government will not issue a guarantee if they are not satisfied with the outcome of that due diligence process. It is not the standard procedure for the Government to publish all the information they look at when making decisions on guarantees, but the hon. Gentleman should be assured that this will be a very thorough process, which will have the assistance of outside sources if required” (ibid, col 119).

3.3 Other Issues

John Redwood (Conservative) said he was concerned about the impact of the scheme on public finance as the “wide-ranging powers in clause 1 may lead to a big increase in public spending, which would damage the Government’s fiscal targets” (ibid, col 92). Mr Redwood queried whether the envisaged projects would be public, private or a mix of both and stressed that the evaluation process would be important. He noted: “when one is in a financial hole, as our country is, one needs to be very careful. We look to the Treasury, in particular, to evaluate such matters carefully and I want a little more guidance because £50 billion is a huge sum” (ibid, col 95). John McDonnell concurred that the evaluation process was “critical” and referred to the effect of PFI projects on public finances (ibid, col 95). He argued that “PFI was meant to shift the risk on to the private sector, yet the Bill seems to [be] shifting it back on to the public sector” (ibid, col 95).

In response, Sajid Javid assured the House that “the reason we can have this programme of guarantees is the credibility that this Government have built up”. He said that the Government saw that the type of projects “that are intended to be considered under the Bill are private sector-led ones that are commercially viable and creditworthy in their own right”. He explained that the Government would “make an assessment of each project” and described the work of the Infrastructure UK team in the Treasury. Following a number of interventions about the cost of this team, he assured the House that there would be no net cost to the taxpayer. He added that “there have already been expressions of interest from more than 50 project sponsors and that the Government have entered into negotiations with a number of them, but no final decisions have yet been made” (ibid, col 104).

4. Third Reading

Following the completion of the committee stage, Sajid Javid, Economic Secretary to the Treasury, moved the Bill be read a third time. He said it was “an important and much-needed Bill” and reminded the House of its purpose:

> It will allow critical infrastructure projects that are being held back by adverse credit conditions to proceed. It contains measures that will support growth, jobs and families, all at a minimal cost to the taxpayer. It will support the UK’s construction sector by providing access to finance for financially credible and

high-value-for-money projects. It will help unlock the investment that the UK requires, it will help make the UK one of the predominant places in the world to do business, and it will support sustainable growth that is balanced across sectors and regions.

(ibid, col 123)

Chris Leslie responded that while the Opposition would not oppose the Bill his party did “not think the matter should rest there”. Committee stage had been a “pretty farcical two hours of scrutiny” where MPs “managed to debate only clause 1 and had no debate on a third of the amendments that were tabled”. This, he said, left a number of uncertainties about the Bill—“about the nature of the loans, underwriting and even grants being given to the private sector”—which had there been more time would have been drawn out in discussion of their other amendments (ibid, col 124). Mr Leslie argued MPs still did not know “how much taxpayers’ money is on the line, how much is being committed per project, what form the financial assistance will commonly take, what type of companies will receive the financial assistance and even what type of infrastructure projects will receive such assistance. There are a lot of unknown unknowns in the legislation” (ibid, col 125).

The Bill was read a third time and passed.

5. Growth and Infrastructure Bill

On 18 October 2012 the Government introduced the Growth and Infrastructure Bill in the House of Commons. The Bill makes provision:

> in connection with facilitating or controlling the following, namely, the provision or use of infrastructure, the carrying-out of development, and the compulsory acquisition of land; to make provision about when rating lists are to be compiled; to make provision about the rights of employees of companies who agree to be employee owners; and for connected purposes.
>
> (HC *Hansard*, 18 October 2012, col 515)

A press notice published on the Number 10 website announced the legislation. It quoted David Cameron, the Prime Minister, as saying:

> The Bill we are publishing today is all about helping our country compete in the global race and building an aspiration nation where we back those who want to get on in life.
>
> We are slashing unnecessary bureaucracy, giving business the confidence to invest, unlocking big infrastructure projects and supporting hardworking people to realise their dreams.
>
> Already the changes we are making to the planning system are having an impact, with Land Securities giving the go-ahead to a major multi-million pound investment, supporting thousands of jobs in our construction industry. No one should be in any doubt about our determination to make sure Britain, and the British people, rise in the 21st century.
>
> (Number 10, ‘New laws to support growth through investment and infrastructure’, 18 October 2012)

Specific measures in Bill highlighted by the press notice are:

Reforming planning to unlock infrastructure

These reforms will facilitate the creation of thousands of new jobs and encourage billions of pounds of new investment in energy projects, including £160 million in new gas market infrastructure.

Currently, developers can be held back from improving their plans because they have no way to vary consents. So, for instance, if a developer wants to incorporate the most recent technology and design to increase energy efficiency, they may be prevented from doing so. This can prevent developers from being as ambitious and innovative as they would like. An amend to the Electricity Act will mean that if developers want to apply to change their projects, they will in most cases only need to undertake a three month consultation, rather than going through the whole process of applying for consent again. This could unlock investment decisions across a range of technologies, bringing thousands of new jobs and billions of pounds of investment to the UK economy.

Second, Government will remove an ambiguity to the Gas Act which has prevented Ofgem from launching an innovation competition that could attract £160 million of additional investment into the gas network to make it more efficient.

In addition, Energy Secretary Edward Davey has updated business leaders at the CBI on ambitious reforms Government is proposing to the electricity market. These reforms, published in the forthcoming Energy Bill, will unlock £110 billion of new investment, keep consumers bills down and meet climate change targets, whilst supporting jobs, investment and sustainable growth.

Backing people who want to own their own home

Stalled housing site projects are a problem, however, allowing the reconsideration of economically unrealistic 'Section 106' agreements, whilst guaranteeing existing affordable housing commitments, could get these projects moving again. Such measures could lead to the completion of 75,000 homes.

Cutting back the volume of paperwork which applicants have to submit with a planning application, which go over and above what is reasonably needed to inform planners about the proposed development.

Stopping misuse of legislation to slow down agreed developments, whilst protecting its use to safeguard cherished community spaces.

Implementing the recommendations from the Penfold review to remove other over-lapping development consent regimes, where multiple state permissions are needed on top of planning permission.

Speeding up the planning system for large scale business and commercial projects. Where developers choose the fast-track route, decisions will be taken in twelve months. Existing requirements to consult local communities are retained.

Backing aspiration by creating more employee owners

Creating a new optional ‘employee-owner’ status for companies to offer, giving workers a financial stake in their firm’s growth and success through tax-free shares.

Backing businesses by helping them compete

Preventing unexpected hikes in business rates on local firms over the next five years. Tax stability is vital as business rates are the third biggest outgoing for firms.

(ibid)

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