**RESPONSE TO THE TREASURY CONSULTATION ON THE NATIONAL INFRASTRUCTURE COMMISSION**

**FROM GREEN HOUSE THINK-TANK**

Our response relates to Question 10 in the consultation document:

***Do you agree that the remit should be set by a letter from the Chancellor, on behalf of the government?***

We are opposed to this proposal.

Although we can see the attraction of attempting to build a national consensus on infrastructure (an aspiration referred to in para 1.4), it is impossible to see how this can be delivered on the basis of the contentious assumptions contained in the consultation document. In particular:

(1) The document proposes that the National Infrastructure Commission will carry out assessments of the "need" for infrastructure, which it implies can be carried out on an objective and scientific basis. However it gives very little indication of the methodology to be followed (beyond saying in para 1.5 that it will be "robust"), and no examples of such an assessment having been carried out in the past. This has resulted in a document which fails to provide information as to the implications or feasibility of its proposals.

(2) One small indication as to methodology is provided by the mention of the Treasury Green Book (para 5.5). This raises the question of discount rates. The short-termist bias created by Green Book interest rates is entirely out of place when considering decisions with long-term implications. Para 5.11 mentions a time horizon of 30 years, but of course a great deal of infrastructure has lasted much longer than that. Traditionally discount rates are seen as based on the time preferences of individuals, but this is inappropriate when members of future generations are being considered, who clearly are highly unlikely to value their own lives less than members of current generations do. Another justification for discounting has been market interest rates, but in some parts of the world these are now negative, which might be thought to imply a negative discount rate. The Stern Report rightly drew attention to the dangerous impacts of discount rates on decisions relevant to climate change.

(3) Para 4.2, on needs assessments, rightly mentions the importance of taking into account technological change. However it makes no mention of climate change. The implication that the impact of climate change, and the need for adaptation, are not amongst the most important factors the Commission should consider in making long-term recommendations about infrastructure is contrary to both recent everyday experience and global scientific opinion.

(4) The document appears to have been written on the assumption that the Commission can safely ignore international obligations arrived at through the Paris Agreement, the Convention on Biological Diversity, and the adoption of the UN Sustainable Development Goals. None of these is mentioned in the document as being relevant to the work of the Commission. Although the Climate Change Act is mentioned in para 3.5, the clear impression given by the document is that the proposed Commission will not take into account environmental sustainability when drawing up its assessments and recommendations.

(5) Para 5.11 says: “The commission will be expected to use the OBR’s central long-term GDP projection.” It would have been fairer to those responding to the consultation to explain what this means. The OBR’s projection (‘Fiscal Sustainability Report’ 2015 page 65) is for an average annual rate of growth in GDP of 2.4% for the next 10 years (revised down slightly for Budget 2016), and 2.5% for the following 40 years. Over the 50 year period considered by the OBR, this would represent between a 7-fold and 8-fold increase in GDP. In the absence of much indication as to the assessment methodology envisaged, this might be taken to imply a 7 to 8-fold increase in the quantity of physical infrastructure. This raises many questions which should be addressed in considering the implications of what is being proposed, and later should be addressed in the work of the Commission itself. For example:

(i) What would be the environmental and resource implications (including for land, water consumption, air quality, nature conservation, and carbon emissions) of such an increase in GDP and/or infrastructure?

(ii) What would be the implications if such an increase were to be replicated globally?

(iii) Is such a rate of increase remotely credible?

(iv) What would be the implications of a planning process which resulted in infrastructure provision turning out to have grown at a far faster rate than GDP?

(6) Paragraph 4.6 recognises that building new infrastructure is not always the best response to an infrastructure “need”. However this is not reflected either in the title of the Commission, the role set out for it in the document, or in the hints as to the “robust” methodology it will use. It will be important for the Commission to systematically compare building new large-scale infrastructure with other options, such as the use of economic instruments to restrain demand, the building of smaller distributed infrastructure, repair and renewal of existing infrastructure, the promotion of energy efficiency, water efficiency, etc., measures to reduce the perceived need for transport, and so on.

(7) Paragraph 5.7 envisages a financial envelope for the Commission to work within. Whilst this is a sensible provision, there appears to be an assumption that this is the only envelope that will be required. However it is surely essential for the Commission to demonstrate how its recommendations fit within the carbon emissions limits arrived at under the Climate Change Act and the Paris Agreement. It will also be necessary to establish envelopes for maximum land take and water use.

(8) The “national” emphasis of the Commission is in danger of obscuring important local and regional considerations. There are currently no regional spatial strategies outside Greater London.

Our conclusion from making explicit the assumptions contained in this document, which has been drawn up by the Treasury, and therefore presumably approved by the Chancellor, is that the Chancellor is clearly the wrong person to set the Commission’s remit, and certainly the wrong person (see para 3.12) to appoint all its members.