



National Audit Office

Cross-government

Infrastructure investment: the impact on consumer bills

Appendix Six

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Survey of private sector infrastructure experts

1 In June 2013, we surveyed private sector infrastructure experts to improve our understanding of the issues around investment in infrastructure from the perspective of the private sector. Survey topics included the factors important to investors' decision-making, views on the usefulness of forecast financial impact on consumers, and confidence in current forecast impact of energy and climate change policies on consumer bills. The survey included both open and closed questions.

2 We sent the survey to 236 individuals working for organisations and businesses involved in delivering infrastructure, identified through consultation with The Infrastructure Forum, KPMG, PwC, Energy UK and Water UK. We achieved a 35 per cent rate of response (82 respondents).¹

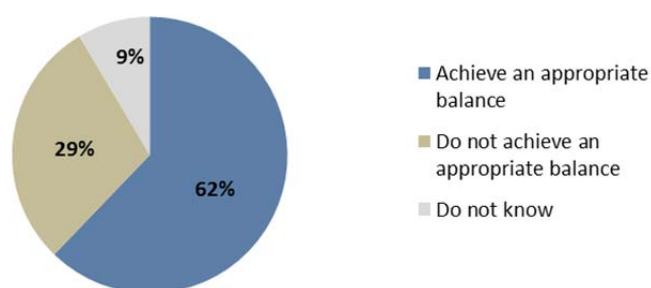
¹ Forty per cent of respondents identified themselves as equity investors, 18 per cent as consultants, 17 per cent as energy or water companies, 9 per cent as banks or other debt finance providers, 7 per cent as another type of organisation, 5 per cent as contractors, and 4 per cent as membership organisations or trade bodies.

Key findings

3 Almost two-thirds of respondents thought current regulatory arrangements achieved an appropriate balance between rewarding investors and protecting consumers (**Figure 1**).

Figure 1

Does the current regulatory regime achieve an appropriate balance between rewarding investors and protecting consumers?



Note

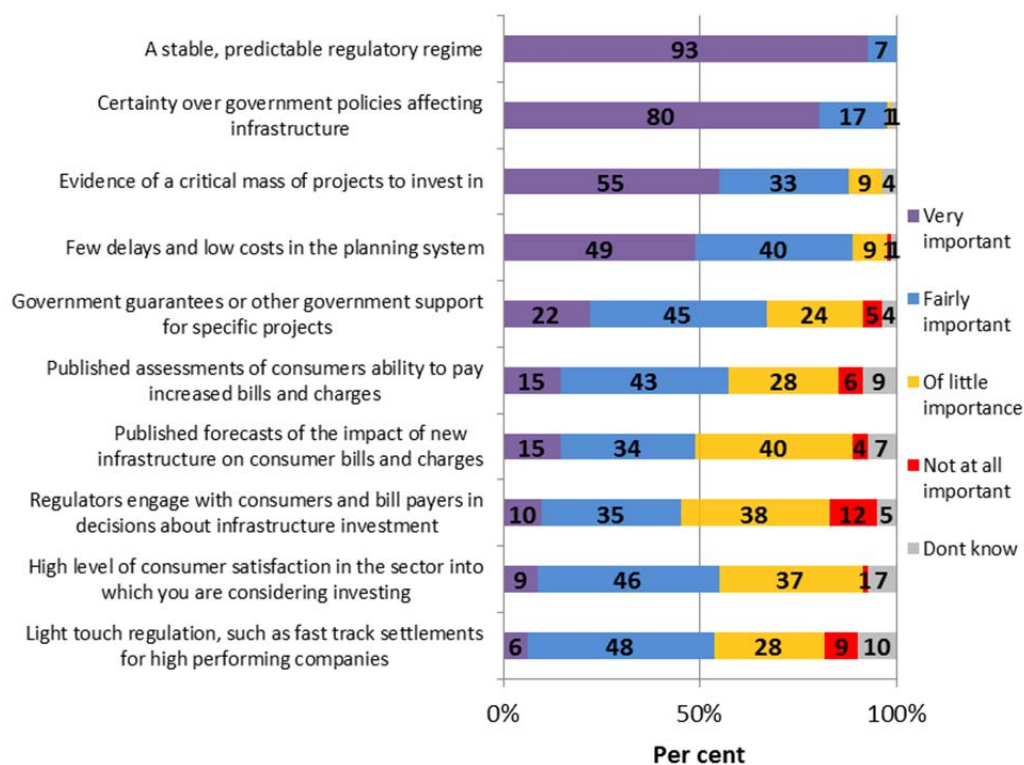
1. Results based on all 82 respondents.

Source: National Audit Office survey of private sector infrastructure experts

4 We asked respondents to rate the importance of a number of factors in influencing the financing decisions of investors. All respondents thought that a stable, predictable regulatory regime was either a very or fairly important factor in influencing the decisions of investors to provide finance for UK infrastructure projects. Respondents also viewed other government-influenced factors as important to the investment decisions of investors, such as certainty over government policies affecting infrastructure and evidence of a critical mass of projects to invest in (97 per cent and 88 per cent respectively, thought this factor was very or fairly important). (**Figure 2**)

Figure 2

How important are these factors in influencing the decisions of investors to provide finance for UK infrastructure projects?



Note

1. Results based on all 82 respondents.
2. Percentages might not add up to 100 per cent due to rounding.

Source: National Audit Office survey of private sector infrastructure experts

5 In a follow-up question we asked respondents which factor is most important to the investment decision of finance providers. A stable, predictable regulatory regime was selected as the most important factor more times than any other. Other factors seen as important to investors were certainty over government policies and evidence of a critical mass of projects to invest in.

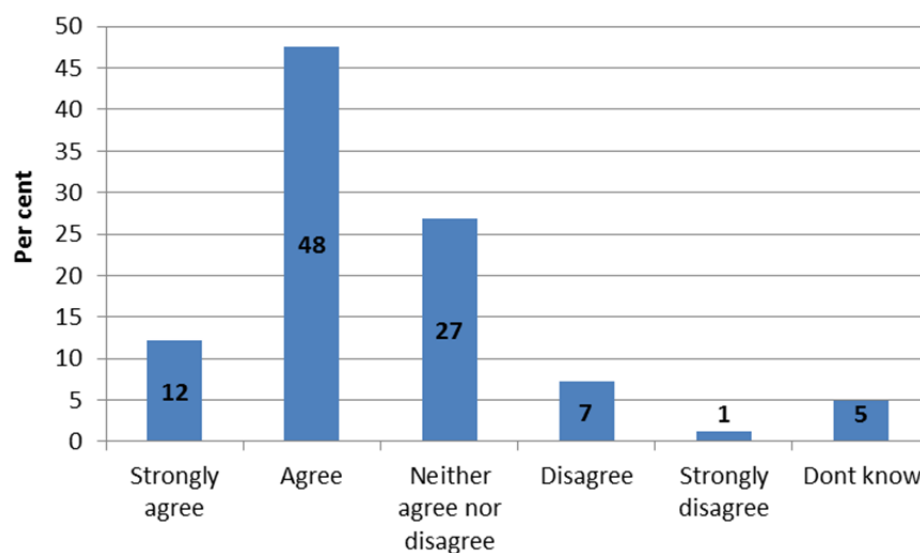
6 We asked respondents about the usefulness to prospective investors of forecast financial impact on consumers (**Figure 3**). Sixty per cent of respondents strongly agreed or agreed that forecasts of the financial impact on consumers of infrastructure investment are useful to prospective investors, compared with 8 per cent who disagreed or strongly disagreed with it.

7 In an additional qualitative question, respondents were asked who is best placed to forecast the financial impact on consumers of infrastructure investment. The range of responses included:

- Infrastructure UK
- Government or regulators
- A fully independent professional financial body.

Figure 3

To what extent do you agree that forecasts of the financial impact on consumers of infrastructure investment are useful to prospective investors?



Note

1. Results based on 82 respondents.

Source: National Audit Office survey of private sector infrastructure experts

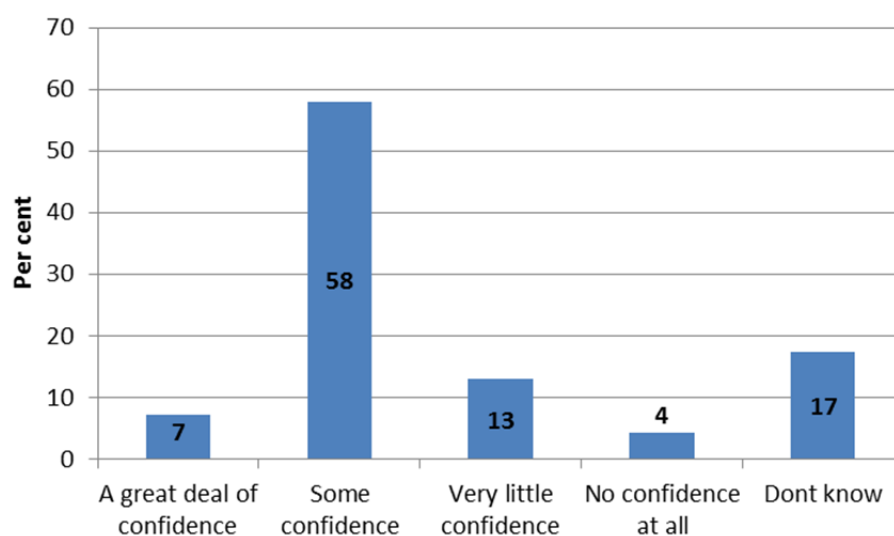
6 Appendix Six Infrastructure investment: the impact on consumer bills

8 £176 billion of the £310 billion of expected infrastructure investment in the government's infrastructure pipeline relates to energy. The Department of Energy & Climate Change (DECC) has published forecasts of the impact of energy and climate change policies on consumer bills, with the most recent published in March 2013. We asked respondents with at least some involvement in the energy sector their degree of confidence in the Department's forecasts (**Figure 4**).

9 Fifty-eight per cent of respondents had some confidence in the Department's forecasts. Only 7 per cent of survey respondents had a great deal of confidence in the Department's forecast, although this is not surprising given the challenges of making long-term forecasts and uncertainty about how markets might develop.

Figure 4

How much confidence do you have in the accuracy of DECC's forecast impact of energy and climate change policies on consumer bills and charges?



Note

1. Results based on 69 respondents with some or a great deal of involvement in the energy sector.
2. Percentages might not add up to 100 per cent due to rounding.

Source: National Audit Office survey of private sector infrastructure experts
