

Comments by the Scottish Property Federation on the Initial Call for Evidence by the Infrastructure Commission

Introduction to the Scottish Property Federation (SPF)

1. The Scottish Property Federation (SPF) is a voice for the real estate industry in Scotland. We include among our members: property investors, including major institutional pension and life funds; developers; landlords of commercial and residential property; and professional property consultants and advisers. In total we number over 185 businesses and organisations with Scottish real estate industry interests.
2. Infrastructure is one of the key obstacles that many of our members face in seeking to create new places, developments, homes and employment locations. It is therefore a key objective for SPF to see economic, effective and efficient infrastructure delivery, which can also be predicted with some certainty by investors.

Key Points

- We support and welcome the drivers, remit and guidance of the Infrastructure Commission
- Infrastructure remains a huge obstacle for many in the Scottish real estate sector – the Commission offers an opportunity to address this major blockage to successfully growing the economy for communities and employment locations. We have proposed some amendments along these lines to the proposed definitions of infrastructure.
- We are concerned that the financial resources to deliver the required infrastructure – whether over 5 or 30 years will not be found within the private or public sectors by traditional means of tax and spend – financial innovation will be essential
- We are uncertain of the need for, or the relationship between, a possibly Scottish National Investment Company and the existing Scottish Futures Trust
- The Commission should identify a hierarchy of infrastructure needs to address – those of National importance; cross-boundary between local authorities but also look at obstacles at the local level.

Question 1. The remit and in particular the Commission objectives provide an illustration of some key strategic drivers to an inclusive growth and low carbon economy:

a. What are your views on these drivers and are there any others that should be considered by the Commission?

3. We agree with the broad set of drivers identified by the Commission. It will be important to acknowledge however that in relation to securing Scotland's International Competitiveness that we cannot overlook the intra-UK competitiveness. In our own sector (real estate), investors may have decided to allocate a certain level of funds to the UK and then Scotland may find itself competing with major UK city and regions to secure that investment.

b. What is the impact of these (and any additional) drivers on an inclusive growth and low carbon economy?

4. There should be under no illusions about the competition for investment. In the real estate sector, Scotland has been successful in attracting both inward investment and in recent years major UK-domiciled life and pension funds.

5. We believe there will be an increasing emphasis upon destination and place-making as investors and people look for quality places to invest in, live, work and play. There are certain consumer demands that will drive infrastructure requirements – one example being a move away from traditional cars/ownership. This will require greater provision of charging points for electrical vehicles but may also see changed demand for parking provision. Already there is a move for newer office developments in city centres to include less parking for employees and more space for cycling instead. Public transport is likely therefore to come under growing stress as demand for its services increases by employees unwilling to use traditional (or even electric) vehicles.
6. Development is itself a core economic driver. Research by the Fraser of Allander Institute for SPF found that for every £100mn of demand for commercial development an additional £73mn is returned to the Scottish economy. Similar research has been undertaken by Homes for Scotland on the benefit of house-building to the wider economy.

c. What are the key interactions and dependencies across these drivers?

7. Housing will be a key issue for the infrastructure commission as people seek higher quality places to live with access to public transport, amenities and local services. New housing development also brings allocations for affordable housing which contributes to inclusive economic growth. The move towards mixed-use development does also engender more economic opportunities across a wider variety of business or leisure services. Key infrastructure will include high speed broadband, schools, public transport, power and water. Green networks and open spaces will become more important for developments with significant residential elements.
8. The Commission may wish to adopt a hierarchical approach to enabling infrastructure delivery. The National Planning Framework will be a good place to identify key infrastructure of national importance. There will be a need for the Commission to consider key strategic issues necessary to enabling economic growth and a low carbon economy, that cross the borders of local planning authorities (often but not exclusively transport related). But finally, what should not be forgotten are **local** barriers to infrastructure delivery – this can include a range of factors including consents processes, capacity of utilities, education, road bonds costs for smaller housebuilders, and open spaces.
9. The timescales associated with these different levels of infrastructure will vary from up to 30 years for national and cross local authority areas but will often be under five years at the specific local level. Each challenge though, will be an obstacle or a missed opportunity to support and build the economy.

d. What is the impact of each of them and cumulatively on Infrastructure demand and need now and for the future?

10. City centres are growing as populations gravitate towards urban living. This will bring increasing pressures in urban centres as families grow and people demand schools and public transport and seek to improve their built environment. Also, growing pressure from the tourism industry is already having a noticeable effect on areas in the Highlands and Edinburgh region. The success of the V&A Museum in Dundee where numbers have been almost double expectations since it opened demonstrates that good planning and amenities provision is crucial to make a success of these major investments.
11. We are concerned that the financial resources to deliver the required infrastructure – whether over 5 or 30 years will not be found within the private or public sectors by traditional means of tax and spend. Even should a new Infrastructure Levy be approved by Parliament and

introduced in 2023 then the *additional* £75mn it may achieve per year will not meet the requirements for Scottish infrastructure indicated as recently as 2015. This additional money – even if added to the existing and uncertain process of developer contributions, will meet only a portion of the funding required to meet Scotland’s anticipated infrastructure demands. The Commission should therefore examine new means of bringing in capital investment, probably in collaboration with the new Scottish National Investment Bank. Financial innovation will be essential.

2. Infrastructure has a key role in relation to an Inclusive Growth and Low Carbon Economy:

a. What are your views on Scottish Government’s definition of infrastructure as provided in the Commission remit, and are there any additional elements that should be considered, or areas that could be omitted?

12. In the first paragraph the phrase ‘societal living conditions’ could be taken as a narrower definition of improving housing and living conditions. This is important but would also be within a definition that instead stated:

“The physical and technical facilities, and fundamental systems necessary for the economy to function and to enable, sustain or enhance **communities**.”

13. We would also suggest amending the second paragraph to include a reference to employment locations. Where people work has a huge impact on infrastructure demand and we believe that as part of the place-making agenda that it is import the Commission recognises this.
14. We suggest that in the final clause of the current paragraph there could be an amendment to insert:

“...; employment location and public services such as emergency services and resilience.”

b. What contribution does each of the infrastructure categories identified make to achieving an inclusive growth and low carbon economy?

15. Securing capital to resource investment in infrastructure is crucial in a modern economy. The resources needed to deliver major infrastructure are frequently significant and it is likely that a breadth of investment from private domestic and international investors, as well as public sector sources, will be required to achieve the desired level of infrastructure delivery.
16. The remit and guidance section of this call for evidence also considers the establishment of a Scottish National Investment Company. At this stage we would be interested to know what role this Company would play, and we have a concern over the overlap between a potential SNIC and the roles currently played by another government company, the Scottish Futures Trust. The SFT has a track record and a growing depth of expertise from both public and private sector in the delivery of infrastructures across Scotland. it will be important to ensure we do not create overlap and remove hard won expertise from the delivery of infrastructure.
17. Markets and connections are the veins of the economy. Enabling their effective operation through the built environment, broadband and transport infrastructure will be essential.
18. Place-making will become even more important as a concept for infrastructure. The appropriate built environment will be key to delivering effective and successful place-making, but it will require significant investment and innovative means of financing key infrastructure, such as the Growth Accelerator or Tax Increment Financing, will be essential.

c. What role and impact does each of the infrastructure categories identified have on the drivers identified in the Commission remit and objectives?

19. We have long supported the concept of an infrastructure led approach to development planning. This does not mean that planning authorities should not support appropriate windfall sites as they become available (and where it is appropriate to support their development). But key strategic infrastructure must be planned for and this will frequently need to be planned on a cross-boundary basis.

d. What are your views on the relative importance and impact of optimising whole life asset capacity through investment in enhanced renewals and maintenance compared to investing in and developing new infrastructure?

e. To what extent and in what way can infrastructure act as a catalyst for change in a place; be that at a community, local, strategic or national level?

f. To what extent and in what way can infrastructure act as a catalyst for: i. increased economic investment and growth? ii. improved service delivery? iii. improved community cohesion?

20. Infrastructure can certainly be a catalyst for development and investment – and conversely the lack of key infrastructure can equally make infrastructure an obstacle to economic development. Development of places - particularly new settlements - requires a range of key infrastructure to be addressed including utilities and water, health, transport and education. The investment required to deliver this infrastructure is estimated to be some £7bn by the end of this Parliament. This is a hugely ambitious figures and illustrates the extent of the challenge faced by the Infrastructure Commission.

3. The demand and need for the infrastructure assets included in the Commission remit is considerable and wide ranging. Across all the infrastructure assets identified:

a. What is your assessment of the current infrastructure stock in terms of quality of provision?

b. What is your assessment of the current infrastructure stock in terms of its capacity and fitness for purpose to meet current demand and needs?

c. What is your assessment of forecast future needs and demand for infrastructure and the key areas of change and development over a five and 30-year horizon?

d. What do you see as the priority areas for investment in order to enable these future needs and demands to be met?

e. Where do you see future convergence of need and demand having an impact across infrastructure classes?

21. The current infrastructure stock is struggling in areas of high demand. Even where new infrastructure is provided there are significant pressure points as demand simply outstrips infrastructure capacity, particularly with schools. Indeed, some of our member companies advise us that they are being restricted from selling houses by planning authorities due to a need to limit the potential growth of school demand in certain areas of Scotland.

22. Likewise, the drive for core employment locations has led to significant transport challenges, including East Lothian to Edinburgh train services, and the M8 between Edinburgh and Glasgow. More positively the Queensferry Crossing, M8/M73/M74 link improvements, the

opening of the Aberdeen Western Peripheral Route and rail improvements between Airdrie and Bathgate have all enhanced transport capacity.

23. In the near-term five-year period, we see education and public transport, particularly rail, will reach challenging levels of demand and stress on many services that are already stretched to capacity.

4. In relation to approaches to infrastructure assessment and prioritisation and across all the infrastructure assets identified:

a. What is your view on existing approaches to evaluation and assessment of infrastructure in Scotland?

b. What is your view of good practise approaches to evaluation and assessment of infrastructure internationally?

c. What is your view of existing approaches to the criteria and principles for investment prioritisation in Scotland?

d. What is your view of good practise approaches to the criteria and principles for investment prioritisation internationally?

e. What is your view on existing approaches and methodologies that enable cross infrastructure sector evaluation and assessment to be undertaken, and also the potential for further development of such approaches and methodologies?

f. What is your view on existing approaches and methodologies that assess impact at different spatial levels, and also the potential for further development of such approaches and methodologies?

g. What is your view on good practice approaches to assessing and establishing the post implementation impact on the desired outcomes from infrastructure investment?

24. We do not think there is enough strategic and effective infrastructure planning undertaken in Scotland currently. We fear that hitherto the Strategic Development Planning Authorities have been constrained by delays and the need to build consensus among many authorities.

25. We would like to see better co-ordination of infrastructure planning therefore to avoid shortfalls in capacity in high demand areas for homes and employment locations and to avoid situations where infrastructure is provided without near-term demand for its services.

26. We are happy for our comments to be published and shared within public authorities.

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