



United Kingdom P3 Market Snapshot

Infrastructure Sector Highlights

The United Kingdom infrastructure market has and continues to be a major source of business for Canadian manufactures, professional service providers and investors. Successive British governments have prioritised infrastructure development ensuring that infrastructure is always central to government policy.

Increasingly, responsibility for infrastructure has been devolved to regional governments (Scotland, Wales and Northern Ireland) though with 84% of the nation's population England remains the largest source of infrastructure work and largely under the control of the Central Government in London.

Published annually, the [2016 National Infrastructure Delivery Plan](#) outlines details of CAD \$780bn of investment in over 600 infrastructure projects and programs in all sectors and spread across the UK for the next five years. For the first time, this Plan also includes social infrastructure (CAD \$100bn) with parliamentary plans for large-scale housing and regeneration as well as new local schools, hospitals and prison investments.

The Plan is underpinned by the National Infrastructure and Construction Pipeline which shows the size and status of 770 of planned public and private investment worth over CAD \$775bn to the end of the decade. Overall the government estimates the next decade will see CAD \$1trillion in public and private investment in infrastructure. Updated

annually the Pipeline is truly comprehensive and includes information such as; project summaries, funding source (private/public), scheme status, budget and further information sources. Both the Plan and the Pipeline are essential reading for any Canadian firm or investors interested in the UK market.

Infrastructure Procurement Sectors

Unlike Canada there are no central procurement agencies except in Scotland where the [Scottish Futures Trust](#) operates in a similar capacity to Infrastructure Ontario and Partnerships BC. In the UK most public infrastructure is the responsibility of the Government department which originates the requirement. The [Infrastructure and Projects Authority](#) advises the Government on long-term infrastructure needs and provides commercial expertise to support major projects and programmes. In late 2015, the [National Infrastructure Commission](#) was created to advise and to advance the most strategic infrastructure needs which to date include smart power, transport in London and high speed rail in the North of England.

Given the national significance of public infrastructure, opportunities are well advertised in advance and are published in the [Official Journal of the EU](#). However, it is more likely that Canadian organisations will enter with Tier 2/3 sub-contracts. In this case direct interaction with Tier 1/2 contractors is advisable and the TCS is in a position to help with this.



The largest infrastructure projects are usually delivered through Special Purpose Vehicles (SPVs) that go to extreme efforts to help SMEs gain access to procurement opportunities. Both High Speed 2 and Tideway for instance use [CompeteFor](#). Developed for the London 2012 Games, CompeteFor strives to be the national supply chain development service, matching buyers and sellers.

Pipeline Summary

Sectors	Projects/Programmes	Total in £m
Communications	7	£10,813.0
Education	22	£19,234.0
Energy	108	£191,338.5
Flood Defence	29	£3,759.3
Health	24	£7,060.1
Housing and Regeneration	16	£13,188.1
Justice	33	£1,733.3
Ministry of Defence	44	£5,304.4
Police Forces	37	£1,015.2
Science and Research	21	£6,111.5
Transport	241	£135,276.9
Utilities	97	£67,440.4
Waste	7	£335.65
Other	8	£87.2
Grand Total		£462,699.4

Summary of National Infrastructure and Construction Pipeline Autumn 2017.

Infrastructure Finance

Prior to 2010, the Private Finance Initiative (PFI or UK version of PPP/P3) was a common form of procurement across a range of projects. To date PFI has delivered CAD \$90bn of private sector capital investment in over 700 projects. Though following the loss of public confidence, PFI was replaced with a new model in 2012; Private Finance 2 (PF2). The major changes reflect the Government's wish to encourage new types of investors, particularly pension funds and life insurance

companies to lend to projects. PF2 projects are structured on a basis of 20-25% equity and 75-80% debt. Of the equity investment, the Government will hold between 25-49% making it a minority investor taking on both risk and profit. PF2 has had limited use in the education sector, but in the last month (September 2017) news reports suggest PF2 is under consideration for a variety of new projects including roads, healthcare and rail rolling stock.

The UK Guarantee Scheme was introduced in 2013 to encourage private sector investment and kick start major projects which otherwise would have stalled because of adverse credit conditions. It works by providing a sovereign backed guarantee to help projects access finance. Schemes funded include the Drax Biomass Power Station, Northern Line Extension in London and the Mersey Gateway Bridge in Liverpool.

Devolved Authorities

Scotland

Responsibility for infrastructure sectors including housing, healthcare, education and transport are devolved to the Scottish Parliament. Like at the national level, the Scottish Government annually publish the Infrastructure Investment Plan and Pipeline. In Scotland the [Scottish Futures Trust](#) is a Government-owned business with responsibility to deliver value for money across public infrastructure investment as well as secure long-term investment over and above traditional capital sources. Scotland also has a thriving albeit small PPP sector using the Non-Profit Distributing (NPD) model developed as an alternative to traditional PFI procurement.

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Wales

Following a referendum in 2011, further powers have been extended to the Welsh Assembly giving the Welsh Government more oversight over key infrastructure including healthcare, housing, education and roads. In spring 2017, the Welsh Government launched their first PPP variant the Mutual Investment Model (MIM) which three major capital projects in healthcare, transport (roads) and schools.

Northern Ireland

Certain powers over infrastructure have been devolved to the Northern Irish Executive particularly around transport, waste and wastewater and are centred in the Department for Infrastructure. Health and education remain the responsibility of the respective government departments. At present there is no single Infrastructure Plan available for Northern Ireland.

The United Kingdom is committed to improve its infrastructure in various areas and is willing to see more Canadian companies developing those projects. The decision is yours!

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