

Scotland – land of my fathers... and NPD

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This week we looked on in admiration as Queensferry Crossing – the £1.35 billion bridge linking Edinburgh to the wastelands of Fife – opened to traffic so the Scottish Government can say it went live in August... only for it to close again once the snarl-up had cleared.

As disastrous first days of operation go, this is one to rival collapsing school walls. A knackered lorry and hordes of locals determined to cross it on opening day (really guys, get a telly) combined to deliver congestion of monumental proportions.

The 1.6 mile bridge now lies dormant, waiting for HM The Queen to do the needful on Monday, cutting the ribbon 53 years to the day since she formally opened its neighbouring predecessor – the Forth Road Bridge.

It is with this bitter/sweet thought in mind that this week's editorial turns an eye north to the Scottish infrastructure market, peering into the shrouded future as rumours abound of projects brewing and a road that makes AWPR look like a stroll in the heather.

The road ahead...

Word on the ground has Scottish Futures Trust keeping schtum, but there should be some clarity in the spending review which is due in the next couple of months (October / November).

For now, it would appear the government is beavering to determine just how it will finance the infrastructure investments it's been banging on about for so long.

The issues that lie ahead include three pivotal stumbling blocks:

- a widely-held suspicion that the government simply does not have the capital to pay for it
- constrained ability of the Scottish Government to borrow
- while revenue finance remains an option, the NPD model lies in tatters and – for all that SFT has tabled solutions to help it comply with ESA10 – politicians have yet to work out how to spin it

Add to that the Scottish Government's very public commitment to funding the A9 widening project – dualling a country road that winds its way through the Highlands from Perth to Inverness – that will put real pressure on what little capital is sloshing around.

As to the Hub programme, rumour has it an announcement is imminent on £500 million of support for schools, but there is still no word on locations and timescale.

As to the likelihood of these projects making it off the drawing board, one particularly good source says that he is hearing positive noises from the hubs who say the education department is directing local authorities to start planning for it.

While not being delivered by a project finance structure, Deputy First Minister John Swinney last week announced a £28 million investment in four schools:

- Jedburgh – Parkside and Howdenburn primaries and Jedburgh Grammar shut and replaced by a new campus
- Glasgow – Sighthill Community Campus to replace St Stephen's Primary and St Kevin's Primary
- South Lanarkshire – Underbank Primary in Crossford to be replaced
- South Lanarkshire – Walston Primary in Elsrickle to be replaced

Fairly small beer and not a dicky of PPP, but this is good news for the developers and suggests that Holyrood has school improvements at the front of its mind.

“There is a sense – and a hope – that this is what is coming,” says one old chum in Edinburgh. “The problem that you have for the wider market is that if you aren’t in a hub or the tier one supply chain, you’re not going to get a sniff of it.”

However, on a positive note outside of schools, there is word of a £300-400 million prison programme coming to market. Maybe there will be word of that in the Q4 budget.

From me to you...

In an about-turn, Scotland may take a leaf out of Wales’ book on how to finance infrastructure... which is hilarious as Wales used Scotland’s NPD as its model in the first place.

However, now that non-profit distributing is viewed in the same light as vomiting on a wedding cake, they are willing to do anything to get some projects moving forward – and the more Celtic it is, the better!

The whole ESA10 non-compliance issue threw a wildcat among the pigeons for the NPD programme and sources suggest that the SFT is (accidentally) to blame for it by being “too clever by half”.

One source says: “They were in so deep with the big roads projects, the sick kids’ hospital in Dumfries, and so forth – that they could not reverse out of it.”

He adds: “I suspect that SFT tried to do a retro-fix on a couple of deals but it was going to have to hand a lot of money back to the private sector, giving them the opportunity to be rewarded for the risks they were taking – i.e. giving them the dividends back.”

Another source says: “This would have been very expensive and would have proven that the model is not good value for money. That is why SFT said to swallow hard and keep the projects on balance sheet.”

As has so often been proved in the infrastructure environment, it all comes down to a name – PPP, PFI, NPD, MIM, take your pick – and Scotland now has dreamt up a fresh one... so long as it can be abbreviated to a three-letter acronym.

To that end, it is understood SFT is looking at the Welsh programme Mutual Investment Model.

All a load of stuff and nonsense, really. The NPD has demonstrated that it can work and the SFT should be allowed to get on with it... only this time complying with ESA10.

“The tools are there,” says another source. “It just depends whether the politicians want to play.”

The infrastructure requirements in Scotland are not receding and the SFT shares the overall market frustration... but, for all that, it doesn’t seem to be making any great strides to resolve it.

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