Positives to be found despite post-Brexit uncertainty

Simon Topp from Yotta discusses the implications of Brexit and what it might mean for transport infrastructure

> **"The reduction in money going into the EU might actually free up funding in the longer term"**
> **Simon Topp**

The referendum vote has undoubtedly brought a period of economic uncertainty among businesses and with the pound falling fast confidence levels remain low. There will be obvious concerns about the government's commitment to the long-term infrastructure programme that has already started and regarding the continued capex spending on the local road networks.

Several large international organisations are today managing or at least participating in large infrastructure projects across the UK. How will the leave vote impact on their business within the UK over the medium to long-term? How will it affect the funding they bring to capital projects? Their access to quality staff? Or even their appetite for business which will likely be dependent on any trade agreements that are struck in the future following Brexit? Only a few companies have made any decisive statements about their future plans. It's still unclear whether the Brexit vote means that they are going to relocate staff away from the UK or move their headquarters overseas, for example.

After all, we are already starting to see this happen with firms outside of the transport infrastructure space. JP Morgan has been reported as saying it might need to move a quarter of its 16,000 staff to the EU following the vote. Telecoms giant, Vodafone is believed to be considering moving its headquarters out of the UK, at least in part because such a large number of its customers; employees and suppliers are based outside the country.

Over time, we would expect to see some of the largest international construction players having to wrestle with similar issues.

Attracting investment

Beyond this, there is the vexed question of how Brexit will affect investment in the sector. Many of the UK's largest capital infrastructure projects utilise EU funding. HS2 has attracted funding from the EU, Crossrail has a £1 billion loan from the EIB. Clearly the Brexit vote could challenge the future of projects like these. The new Prime Minister, Theresa May famously confirmed ***"Brexit means Brexit"***, which means EU funding is likely to stop altogether over the medium to long-term and the UK will be left either having to self-fund or find new avenues to gain investment.

There is also uncertainty at a local level. Fluctuating interest rates over the coming years could have a significant impact on councils. Most local authorities already have significant borrowing commitments. Much of their expenditure goes on servicing debt.

In a landscape where asset management also remains under threat from ongoing public sector cuts, local authorities will also need to focus on getting more for less from their highways departments. But sourcing the kind of skills they need to deliver a strategic asset management approach in-house is another huge challenge. The looming prospect of the Autumn Statement will give them further cause for concern. Will that mean even more austerity and more funding cuts for local authorities? What will it mean if we tip into a recession in the next few months?

Government certainty

It's worth highlighting, however, that short-term uncertainty won't necessarily result in long-term negativity in this space. A lot depends on future government policy.

The initial signs have been reassuring with the then Transport Secretary, Patrick McLoughlin, stating after the vote that ***"Investment in the long-term infrastructure we need has become more important, not less"***. McLoughlin has since moved posts but the new incumbent, Chris Grayling is also positive about the future. Recently he gave his backing to the high-speed HS2 rail project, stating: ***"We need a better transport system for the 21st century, and HS2 is part of increasing the capacity of our transport system."***

Added to that, the reduction in money going into the EU might actually free up funding in the longer term to increase budgets in this area. American companies considering investing in infrastructure projects in the UK could be encouraged to take the plunge by the weakness of the pound and the knowledge that doing business in this country may be a better and cheaper option for them than doing business at home.

It is increasingly difficult to predict what effects that leaving Europe will have on companies that are considering investment in infrastructure projects, but roads will always be vital to ensuring the well-being of our economy. As long as that message continues to remain at the heart of government and all the stakeholders in the UK's transport infrastructure share that vision, then the future of our highways network will not only be secure, but notably bright and prosperous.