BUSINESSLDN

WHAT LONDON NEEDS FROM THE TEN-YEAR INFRASTRUCTURE STRATEGY

May 2025

1. Context

London is an economic engine for the whole UK. A London that is well connected – physically and digitally – with reliable, resilient infrastructure makes doing business cheaper, cleaner, and more efficient. It boosts productivity and therefore growth in the capital, and across the UK, making it easier for people to access employment opportunities and for employers to access the labour market and talent that they need to grow their business.

London and the South-East also remain the UK's main gateway to and from the rest of the world. In 2019, airports and ports in the region accounted for 78% of all outbound air freight, and 27% of outbound maritime freight from across the UK. Trade exports flowing out through London from other regions of the UK are estimated at £54 billion and support 1.1 million jobs[1].

Infrastructure investment also plays a key role in supporting and enabling growth in the priority sectors presented within the recently published London Growth Plan – artificial intelligence, life sciences, robotics and clean technology. These sectors will be key to attracting inward investment, driving innovation, productivity and economic growth in London and UK wide.

But public spending alone will be unable to match the scale of the investment challenge for London's infrastructure. Recent EY research suggests the need for private sector investment in UK infrastructure will more than double by 2040[2].

This is particularly relevant for non-transport sectors, such as energy, water, waste, telecoms and data centres. In energy, for example, the estimated cost of bridging the sector's infrastructure funding gap in London is between £50-100 billion[3]. In the water sector, it is estimated that the gap between supply and demand for water in London could grow to over half a billion litres a day without significant new investment in water supply infrastructure[4].

The London Climate Resilience Review 2024[5], also underscores the urgent need for comprehensive action to safeguard London against escalating climate threats by investing in

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[1] BusinessLDN, Connections not complacency (2022): https://www.businessldn.co.uk/sites/default/files/documents/2022-11/Connections%20Not%20Complacency%20BusinessLDN.pdf

[2] EY, UK faces infrastructure spending shortfall (2024) : https://www.ey.com/en_uk/newsroom/2024/09/uk-infrastructure-shortfall#:~:text=UK%20faces%20infrastructure%20spending%20shortfall,by%202040%20says%20EY%20report&text=With%20inflation%20pushing%20project%20costs,projects%20that%20are%20currently%20unfunded.

[3] Savills, London 2050, mind the energy funding gap: https://www.savills.co.uk/blog/article/199783/commercial-property/london-2050-mind-the-energy-gap.aspx

[4] Greater London Authority, Water Resources: https://www.london.gov.uk/programmes-strategies/environment-and-climate-change/climate-change/climate-adaptation/water-resources

[5] London Climate Resilience Review (2024): https://www.london.gov.uk/programmes-strategies/environment-and-climate-change/climate-change/climate-adaptation/london-climate-resilience-review

infrastructure. The report warns that without significant adaptation measures, climate change could reduce London's GDP by 2–3% annually by mid-century. The review emphasises that protecting London from extreme weather events is a matter of national security, calling for coordinated efforts across all levels of government to ensure the city's resilience and economic stability.

2. What London needs from infrastructure investment

As outlined earlier, there are funding gaps across all major infrastructure sectors in London. The below table outlines some of the key projects across sectors requiring investment or with funding agreed but passing through the planning process:

Table one: current London infrastructure projects

Project	Description	Benefits	Costs
Bakerloo Line Extension (transport)	A proposed extension of the Bakerloo Line (BLE) from Elephant and Castle in Southwark to Lewisham, via Burgess Park, Old Kent Road and New Cross Gate, including the potential for a further extension beyond Lewisham to Hayes and Beckenham Junction.	The BLE would support over 53,000 new homes along the route in southeast London. 20,400 of these homes require the BLE in order to start construction due to existing policy constraints. The project also unlocks 400,000m2 of new commercial floorspace on the Old Kent Road.	The BLE is estimated to cost up to £8.7bn in 2021 prices.
West London Orbital (transport)	The West London Orbital (WLO) is a new London Overground route that includes the upgrade of an existing under-utilised freight line (the 'Dudding Hill Line'), from Hendon in Barnet to Hounslow.	The scheme is expected to support at least 15,800 homes within the host boroughs. The improved connectivity would increase access to employment and boost housing delivery, whilst driving greater public transport use along the A406 North Circular and A4 Great West Road corridors.	The WLO is estimated to cost up to £1.2bn.

Docklands Light Railway Extension to Thamesmead (transport)	Extension of the DLR from Gallions Reach to Beckton Riverside and then under the River Thames to Thamesmead. The scheme includes two new DLR stations and a new tunnel.	The extension offers a prime opportunity to unlock 145 hectares of brownfield land and establish two new residential communities of 25,000 homes across two boroughs with the greatest housing need. There is also the potential for 111,000m2 in additional commercial floorspace, providing up to 1,000 jobs for residents.	The extension is estimated to cost up to £1.6bn in nominal terms.
Heathrow third runway (aviation)	Plan to increase Heathrow Airport's capacity from 480,000 to 720,000 flights annually, potentially serving up to 140 million passengers per year.	The expansion is essential for boosting the UK's economy, enhancing international trade links, and creating up to 100,000 jobs. Heathrow is currently operating near full capacity, limiting its ability to add new routes, particularly to emerging markets. A third runway would allow the airport to accommodate more airlines and destinations, supporting better international connectivity.	Recent estimates suggest the total cost could range between £42 billion and £63 billion, factoring in inflation, complex infrastructure requirements like rerouting the M25 motorway, and expanded terminal facilities. The majority of the project costs will be privately financed by Heathrow but related onward transport improvements will require public funding

Heathrow Southern Rail (rail)	A proposed privately financed rail project aimed at enhancing access to Heathrow Airport from Southern England. The plan involves constructing up to 8 miles (13 kilometres) of new railway, primarily in tunnels along the M25 corridor, connecting Heathrow Terminal 5 to the South Western Main Line near Staines or Virginia Water.	HSR will improve connectivity, reducing environmental impact of travel to and from the airport, and stimulate economic growth. HSR would provide direct train services from southern England which will shift millions of car trips to rail annually. HSR would connect local businesses to export opportunities and attract inward investment.	Heathrow Southern Railway Ltd (HSRL) – will build and own the infrastructure, the capital cost of which is estimated to be around £1.7 billion (2016/17 prices).
Lower Thames Crossing (roads)	The Lower Thames Crossing (LTC) is a major road infrastructure project aimed at improving connectivity between Kent and Essex by constructing a new road tunnel beneath the River Thames. The project includes a 2.6-mile (4.2-kilometer) twin-bore tunnel, which will be the longest road tunnel in the UK.	LTC will tackle congestion by taking over 13 million vehicles away every year from Dartford and free up almost a full lane of traffic. It will almost double road capacity across the Thames East of London with three new lanes in each direction and improve journey times – 30% better at Dartford and 46% better between Tilbury and Medway.	The LTC is projected to cost between £9 billion and £10 billion, with construction expected to commence in 2026 and completion anticipated by 2032.
Riverside Two Energy from Waste CCS plant (carbon capture)	The Riverside 2 Energy from Waste (EfW) facility is a major infrastructure project currently under construction in Belvedere, South East London. Developed by Cory Group, it is situated adjacent to the existing Riverside 1 facility and aims to address the pressing need for additional waste processing capacity in London and the South East.	Plans to install CCS technology at both Riverside 1 and Riverside 2 to capture CO_2 emissions, with the potential to reduce emissions by 1.4 million tonnes annually by 2030. The project will remove a further 80,000 truck journeys from London's roads. Indicative analysis indicates a typical scheme of this size and type could achieve economic benefits in the order of £1.7 billion from carbon savings.	The scheme is projected to cost c.£800m. Funding has been secured through a consortium of international financial institutions.

South-East Strategic Reservoir Option (water)	The South East Strategic Reservoir Option (SESRO) is a proposed large-scale water infrastructure project in Southeast England, aimed at securing long-term water supplies in the region. It involves building a new reservoir near Abingdon in Oxfordshire, also referred to as the Abingdon Reservoir.	The reservoir would produce up to 270 million litres of water per day, providing additional water supplies for millions of people across London and the South-East. The reservoir would also provide opportunities to create new habitats and increase biodiversity, as well as providing new leisure and recreation facilities.	Projected capital cost of £2.2bn
Thames Estuary TE2100 Programme	A long-term strategy developed by the Environment Agency to manage tidal flood risk in London and the Thames Estuary, addressing the challenges posed by climate change and rising sea levels. First published in 2012 and updated in 2023, the Plan outlines adaptive measures to protect communities, infrastructure, and the environment up to the year 2100.	The TE2100 Plan has three primary aims: (1) adopting an adaptive approach to manage tidal flooding and create climate-resilient communities; (2) protecting and enhancing the value of the Thames, its tidal tributaries, and floodplain to deliver social, cultural, and commercial benefits; and (3) tackling climate and nature crises by embedding sustainability, restoring ecosystems, and achieving environmental and biodiversity net gain .	The Thames Estuary 2100 (TE2100) Plan is projected to require approximately £16.2 billion in investment between 2023 and 2100.
Data centres (digital)	Data centres provide standalone, high-power hubs which service complex digital, information storage and cyber security requirements for many businesses, as well as the cloud platforms businesses rely on every day for their operations.	Data centres support new innovation and business growth through centralized and secure storage for large volumes of data. They provide easier data backup, recovery, and archiving and don't require major infrastructure changes but must be balanced against the capacity of the electricity network.	Multiple data centre investments planned in London including a £1bn investment by SEGRO at Park Royal.

3. Making London's infrastructure investable

An infrastructure project pipeline

For London's businesses, a reliable and transparent public infrastructure pipeline is seen as the most critical factor in building confidence in UK infrastructure over the next decade. To attract investment, it's vital to clearly communicate the Government's long-term ambitions, supported by a detailed and dynamic project dashboard with accessible information.

BusinessLDN members feel that the previous National Infrastructure and Construction Pipeline lacked a sufficient level of detail on project maturity, existing funding committed, and was not transparent or dynamic enough on the status of individual projects. Clearly indicating the funding status of each project would improve transparency and offer more meaningful insight.

However, the scale and complexity of many infrastructure projects makes assessing deliverability at a single point in time impractical for a number of reasons. So, an iterative approach would allow for the evaluation of individual phases of a project, offering a more manageable way to demonstrate feasibility.

The ten-year pipeline should also be *forward-looking* and should track projects from procurement to delivery[6]. This is important to enable the construction industry and associated supply chain to build up capacity in anticipation of project demand and will help facilitate investment.

A forward-looking infrastructure pipeline also depends on both the volume and quality of project data it receives. To strengthen planning efforts and enhance the credibility of the ten-year strategy, a focus on data quality and interoperability is essential. At the same time, project teams and industry stakeholders must be supported in addressing privacy and commercial concerns that can hinder data sharing.

Funding models and governance

As outlined earlier, with Government spending constrained, delivering the critical infrastructure London needs to grow will require innovative funding solutions, building on what has worked before. A successful infrastructure strategy will require clarity on the funding models that Government will support for the projects included within the ten-year pipeline. To date, a variety of models have been used to promote private investment in infrastructure across UK. These include:

- **The regulated asset base (RAB) model** has been used to promote investment in sectors such water, energy networks and airport industries. Investors are typically offered stable returns, which are based on the regulators' calculations of their investment's capital value and weighted average cost of capital. See appendix one for how a hybrid RAB model was used to finance the Thames Tideway Tunnel at a competitive cost for bill payers.

- **The concession model** is a time-limited franchise whereby a private company enters into an agreement with local or national government for the exclusive right to operate, maintain and carry out investment for a given number of years. The concession model

[6] Paragraph 15, sub-paragraph (b): HM Treasury, Ten-Year Infrastructure Strategy Working Paper (2025)

has been used successfully to agree a 20-year partnership framework between Boldyn Networks and Transport for London, with the former bringing new high speed, high capacity, multi-operator mobile connectivity to London's underground stations. This same infrastructure is improving not spots above ground and bringing new full fibre connectivity to London's boroughs.

- **Public Private Partnerships**, a public sector provider procures a private sector provider to deliver outcomes normally associated with creating a building or other asset. London has experience in deploying all of these private capital models to deliver infrastructure.

One funding model that could play a bigger role is **tax increment financing** (TIF), a version of which helped to deliver the Northern line extension to Battersea. TIF agreements enable local governments to borrow against future tax revenues that investments generate to fund those investments in the first place.

BusinessLDN's recent report with WSP 'Generating Land Value to Grow London'[7] proposes a 'residential TIF' model which would allow a proportion of Stamp Duty Land Tax generated by new development resulting from the provision of new transport infrastructure to be kept locally in London. To complement this, a percentage of additional council tax receipts could also be included, or a small, temporary transport precept on new council tax receipts in the TIF area. This would ease public spending demands in London and free funds for other UK regions.

The model, especially viable in London due to higher land values, could generate up to £4.5bn over 25 years to help fund three key TfL projects: DLR to Thamesmead, Bakerloo Line to Lewisham, and the West London Orbital. These projects could unlock 100,000+ homes, create over 10,000 jobs, and boost UK-wide growth.

Related to this, the strategy should also consider how reforms which increase powers for local leaders though **devolution** can help deliver much needed investment in London and UK infrastructure. Much of London's growth could pay for itself if London could retain, reinvest and borrow against some of the growth it creates. London's devolution deal has failed to keep pace with those of other city-regions, let alone other international business hubs. The capital's Mayor retains just seven per cent of taxes raised in the city compared to New York's 50 per cent[8].

Enabling regional leaders to retain a greater proportion of local taxes – for example Business Rates – would create a powerful incentive to re-invest in London infrastructure projects and deliver growth. It would also increase accountability. Letting London, along with other cities and regions, set its own priorities and delivery strategies would provide better value and better outcomes.

Cross-departmental approach

Perhaps the most critical element of the delivery of a successful strategy and project pipeline, is for projects to receive backing from across Government to get a cross-departmental 'green light' for project delivery.

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[7] BusinessLDN, Generating land value to grow London (2025): https://www.businessldn.co.uk/news-publications/news/innovative-funding-model-could-unlock-ps45bn-for-new-transport-projects

[8] On London, John Dickie 'strengthen London's Mayors for their next 25 years', May 2025: https://www.onlondon.co.uk/john-dickie-strengthen-london-mayors-next-25-years/

A unified approach helps avoid duplication, reduces delays caused by conflicting priorities, and enables a more strategic allocation of resources. It also strengthens long-term planning and ensures that infrastructure investments contribute cohesively to the Government's overall growth mission. Without strong interdepartmental collaboration, even well-designed projects risk being undermined by siloed decision-making and fragmented delivery.

Accountability should also be at the heart of the delivery of the strategy, which is why we welcome five-year capital spending budgets for departments which will track delivery against spending.

We look forward to further clarity at the Spending Review in June, where we understand the Government will set out the private infrastructure finance/funding models that they will support and the role for private investment.

APPENDIX ONE: CASE STUDIES OF PRIVATE INFRASTRUCTURE INVESTMENT IN LONDON

Tideway: Overview

Tideway is delivering the Thames Tideway Tunnel—financing, building, maintaining, and operating the project. It's backed by Allianz, Amber Infrastructure, and Dalmore Capital, experienced infrastructure investors.

At peak construction, over 400 professionals and four main delivery partners worked across 24 London sites. Construction began in 2015 and became fully operational in February 2025. The £4.5bn capital cost is funded through Thames Water customer bills, capped at £25/year (2014/15 prices).

Funding Model

Tideway used a Regulated Asset Base (RAB) model, providing investors a stable return and lowering financing costs – benefiting consumers with lower bills.

Key success factors

1. A clear mission: "Reconnecting London to the river" helped align stakeholders early.
2. Risk-sharing: The RAB model and Government Support Package (GSP) balanced risks between parties.
3. Revenue certainty: The RAB model reassured investors with predictable long-term returns.

Other enablers

The GSP covered rare but high-impact risks, cutting financing costs. Shareholders also committed all equity upfront, ensuring early financial stability during high-risk construction phases.

Silvertown Tunnel PPP: overview

The Silvertown Tunnel opened in April 2025. Linking Silvertown to the Greenwich Peninsula in East London, it will boost cross-river public transport whilst helping to reduce congestion at the Blackwall Tunnel, delivering faster journeys during peak times and helping to manage overall air quality.

Funding model

The Silvertown Tunnel is funded through a public-private partnership between Transport for London (TfL) and the Riverlinx consortium. Riverlinx is financing the construction - costing around £1.2 billion - under a 25-year Design, Build, Finance, Operate, and Maintain (DBFOM) contract. TfL will repay the consortium via annual availability payments. To cover these costs, tolls will be introduced on both the new Silvertown Tunnel and the existing Blackwall Tunnel when the project opens in April 2025. These tolls will also help manage traffic and environmental impacts.

Key success factors

The Silvertown Tunnel funding model is considered successful for several key reasons:

1. Risk transfer: The public-private partnership (PPP) structure shifted construction and operational risks to the private sector (Riverlinx), protecting Transport for London (TfL) from potential delays and cost overruns.
2. Upfront private capital: The model enabled the use of £1.2 billion in private financing, allowing construction to proceed without placing immediate strain on public finances.
3. Predictable payments: TfL's long-term availability payments are fixed and linked to performance, providing financial predictability and ensuring high maintenance standards.
4. Revenue generation: tolling both the Silvertown and Blackwall tunnels generates a dedicated revenue stream to repay the investment, making the model financially sustainable.
5. Timely delivery: despite complexities, the project has remained largely on schedule, enhancing confidence in the model's effectiveness.

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