



World-Class  
Belfast

Darryl Murphy  
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# Putting world-class infrastructure in place in Belfast

Darryl Murphy eats, sleeps and breathes infrastructure and has done for over 25 years. His current role is Managing Director, Infrastructure at Aviva Investors, having previously worked at KPMG and in other financial institutions in financing infrastructure deals.

He's also that rare beast: he has a breadth and depth of knowledge that means he's as comfortable talking about UK-wide infrastructure strategy as he is detailed opportunities at a local and regional level.

## Can you ever depoliticise infrastructure?

"It's perhaps too idealistic to think that infrastructure can be totally depoliticised; by its very nature, you're affecting the lives of everyone. There'll be very strong views – infrastructure for good or bad is something everyone tends to have a view on.

"The objective shouldn't be to say 'let's keep politics out of it'. It's more that you're articulating a plan that can be challenged as you try to seek a level of consensus. I would suspect that in many cases, there probably isn't much in infrastructure that lead to strong cross-party disagreements, but what is key is prioritisation or the pace of delivery.

"You have to look at those shorter cycles that are inevitable under the political environments. The important thing is having an overarching vision, which can be relatively apolitical. What the priority is, in the short term, is always going to be down to the local governments of the day."

"How, if at all, can we manage the natural tension between big projects (like broadband infrastructure being installed) getting overtaken by bigger projects that seem less essential (like HS2)?

"The HS2 debate is an interesting one. It probably got off on the wrong foot because the whole nomenclature is technically wrong. It's not really about high speed, it's always been about capacity and should be about productivity.

"The whole levelling up agenda in the north of England has been a recent observation, but it ties into how we look at the disparity in wealth. It's a very large investment, so the business case needs to be robust.

Are we going to hit the government's targets around fibre to the home? Many industry observers would say that might be quite challenging, especially in that timeframe.

"This is about prioritisation, but also around sparse government resources. Fibre to the home is an industry at the moment that is, to some degree, financed through the private sector. You've got the very large players, and you've got a growth of smaller alternative providers who have really flourished in the last few years.

“From our point of view, even in the rural broadband market, there’s great opportunity – it’s a slow market, and it’s difficult to get the penetration quickly, but it’s still happening. The issue is it’s back to the government’s balance of capital and where they put the resources. HS2, under its model at the moment, is 100% publicly funded, and that’s a huge amount of money against the public balance sheet, whilst the cost of providing fibre to all homes isn’t.

“From a government point of view, it could question if the private sector would deliver that with the market signals today, or if they need policies or financial support to speed up the process? The government’s challenge is an invidious one, because we have finite resources. So how do you split that? It comes back to planning – whether it’s the grant protege, or the very important, small investments, everything down to your stereotypical potholes in the road – it all needs to be considered, and it has to be encapsulated within an affordable budget.

“There’s only so much public funding available. This has always historically been the area where we’ve had to consider what the right mix of public finance and private finance is to deliver the sort of infrastructure needs we’ve identified.

## How do you think COVID has impacted what infrastructure we need?

“Maybe it’s too early to see this, but I don’t think it’s reactionary. If we look at COVID, we have to get out of the challenging position we find ourselves in, from a health and economic perspective. But if you take a step back and look at it from the point of view of infrastructure – the way we live, the way we work, the way we travel – clearly the pandemic has accelerated trends. We seem to have fast-forwarded ten years in that the idea of being able to work flexibly has become absolutely established. The way that people live and work has inevitably changed.

“Mobility has become very different, particularly for large cities and especially London. You’re now attracting young talent, historically, that would physically have had to go to London to do this type of work. That will disappear to some degree. Of course, you will still need some kind of office environment, and we’re doing a lot of analysis looking at what the future of the office is, but it certainly gives people a different perspective.

“The same applies to transport. How we use transport will be different. I’m not suggesting people are never going on trains or flying anymore, but people have greater choice, and they’ve been used to something different. That must have a big impact. Digital will increasingly become the great enabler for this in terms of that fibre situation.

“Regarding the knock-on effects, you can look in terms of data centre provision – the digital economy will grow significantly on that basis.

## What challenges are there when it comes to revenue streams?

“I get a bit pedantic about the difference between funding and financing. A lot of people have said to me that the problem is there are lots of good investment opportunities, but there’s a funding challenge. In reality, there is no financing challenge. There is a lot of capital available.

“The market is very competitive, and it can be frustrating to put that money to work. Equally, I talk a lot to local authorities which are frustrated, because they have good investment opportunities but they don’t see money flowing into them. Currently we have no discussions or approaches from local authorities or cities around infrastructure, and that’s always puzzled me.

“The gap is a funding/financing one. Probably the best example is transportation. Transportation can make it, particularly in a city, because it’s fundamental to how the economy of the city works. You want your transport to say, “okay, where do I want my people to live? And how do they get into the city and produce economic wealth?”

“Transport plays a big part in that; therefore, the socioeconomic benefits of transport schemes, i.e. local rail and bus, can be very high. The key problem is the actual revenue stream that a railway drives is usually quite positive, if it covers its operating costs, let alone pays back the capital investment. So you’ve got this sort of dissonance between the socioeconomic benefit over a long period of time, and where those benefits are accruing, and as a sort of singular investment case in which the funding stream is not there. The key sources of funding, broadly speaking, is either only from the taxpayer or the consumer. The point is that we are all paying for the infrastructure in one way, shape, or form.

“So you have to really recognise that and think, when I look at an opportunity, what’s the actual revenue stream that’s going to pay for that? In local authorities, we see a little bit of infrastructure in the long-term lease arrangements where a local authority will privately finance a piece of commercial property, then pay a very long-term lease against it. That’s a well-established model.

“Historically we have PPP, which local authorities embraced quite readily because it gave them a revenue stream to borrow from. It sounds really basic, but revenue is the problem, because a lot of these investments may not generate revenue immediately, although they may over time. Moreover, some may never actually generate any at all because they’re not designed to, but rather broader socio-economic benefits. It’s a question of how the local authority or city chooses to monetize those benefits. All financing is doing is just moving money around in time. If you want to borrow that money or encourage someone to invest upfront, it’s just a case of saying, okay, what’s the what’s the revenue stream? What’s going to repay it?”

Who indeed? The challenges for NI when it comes to great, new infrastructure aren’t unique, but they are complex. But it’s good to know that others are looking at the opportunities in growing a world class Belfast and considering how to make it happen.



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