



Like sponsors' boards round a football pitch, the names of the PFI profiteers are proudly displayed around the new £180m Edinburgh Royal Infirmary, which will cost the taxpayer £900m.

# 5 short answers on why PFI is rotten value

DURING the autumn, under fire from the unions, ministers scraped around for arguments to justify their view that PFI is the best way to finance new hospitals public services. They failed to win the argument – but PFI schemes continue to grind through in many areas. Here are a few answers to the questions the ministers raised.

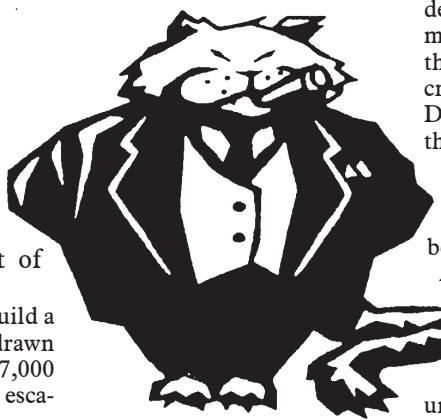
## 1.) Would a review of PFI mean delays?

PFI schemes are notorious for the delays, bureaucracy and consultancy fees involved. The most notorious is the Walsgrave Hospital project in Coventry, which has been under debate since 1995, when a

plan to refurbish the city's two hospitals was floated at a cost of £60m.

By 1996 a contract to build a new hospital had been drawn up that comprised 17,000 pages. By 1997 this had escalated in cost to £174m.

The eventual deal – at £359m – was only signed seven years later. It was the only hospital project signed



in 2002. Dozens more are stuck in the pipeline. Even the building contractor Amec, with eight PFI

## Harefield heart-op plan caught in Paddington PFI chaos

CAMPAIGNERS are stepping up the pressure on Alan Milburn to release the funds for a £3.8m expansion of heart surgery at Harefield Hospital, to enable consultants to carry out an additional 570 operations a year.

The scheme, which was forwarded with detailed costings in a letter to Mr Milburn on July 9 by Prof Anthony Newman Taylor, the acting chief executive of the Royal Brompton and Harefield NHS Trust, would create additional theatre and bed space at Harefield.

But it would also assist the Trust in retaining vital nursing and other staff at Harefield, which faces the long-term threat of closure.

However the controversial PFI scheme for a new mega-hospital in Paddington, combining the existing Harefield and Royal Brompton services, last costed at more than £350m, is lurching from one crisis to another.

Under new Department of Health standards for space allocation the floor area of the hospital would need to be expanded by up to 18% from current plans, pushing costs still higher.

Gloomy Trust bosses are now questioning whether the new hospital, originally projected for 2008, will now be open by 2011 – if at all. The costs – and thus the affordability – of the scheme are equally unknown.

combined value of just £220m (3% of the total).

This is sending a clear message to NHS managers: if you want a new hospital, PFI is the only game in town.

## 4.) A PFI moratorium will "deny the public services they need"

But PFI itself, with its extra costs, has brought a squeeze on services: the first wave of PFI hospitals had up to 30% fewer beds, and some have already had to add prefab buildings to expand capacity. PFI-funded hospitals and schools offer less space for patients, pupils and staff. The London Underground PPP will deny passengers any new trains or stations for at least 7.5 years, while requiring a subsidy equivalent to a 25% fare increase.

## 5.) Are privately-funded facilities built to better quality?

No! Tell that to staff at the shoddily built hospitals – like Carlisle, Hairmyres, and Dartford, Halifax, and North Durham – where plumbing and other structural faults have caused chaos for patients and staff alike.

Or in Worcester, where the new hospital's corridors are now too narrow for trolleys to pass each other.

Or in Hereford, where maintenance engineers have had to re-weld the lift floors after the hospital has been open for less than a year.

Or in the award-winning Norfolk & Norwich Hospital, where the largely windowless offices have no airconditioning.

deals and in the bidding for more has complained about the costly delays and bureaucracy involved. Finance Director Stuart Siddall told the BBC's World at One

"The PFI process is slow and expensive – anything that can streamline it would be welcome."

Against this pattern of delays, a pause while the experience of over £20 billion worth of schemes is properly investigated seems unlikely to be noticed.

## 2.) Would public investment mean "reckless borrowing"?

PFI schemes represent the most massive expansion of long-term borrowing: the 512 schemes already completed under PFI have a capital value of more than £22 billion.

All of this will be repaid by the public sector – with interest and a hefty profit margin on top – over the next 30 years.

New PFI-financed buildings are not assets but long-term liabilities, taking the first slice out of the budgets of public services in rigid, legally-binding deals.

The average combined cost of lease payments and services for the first round of PFI deals in the NHS add up to FIVE or SIX TIMES the capital value. If this continues

the NHS alone could wind up paying £35 to £42 billion (index-linked) over the next 30 years for 68 new hospitals valued at just £7 billion.

By contrast, even a standard 6% mortgage would pay off the same amount for less than £14 billion over 25 years.

The government can borrow as cheaply as 2 percent: the extra interest in a PFI deal goes straight into the profits of the private sector.

So WHO is being reckless with public money?

## 3.) Is PFI "extra" investment?

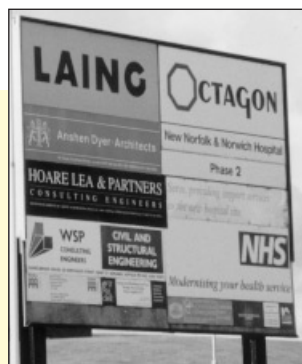
No: of 68 new hospital projects, with a total value of £7.3 billion, that have been given the go-ahead since 1997, just SIX (8%) are publicly-funded, with a

**New pamphlet out soon!**

## The PFI experience

Interviews with staff in nine PFI hospitals in England, Scotland and Wales

Researched for UNISON by John Lister of London Health Emergency.



Norfolk & Norwich Hospital

# PFI: is another costly failure coming your way?

**Skye Road Bridge:** with the highest Road tolls in the world – £5.70 each way – “the only place in the world where you get mugged and get a receipt”

**Glasgow £225m schools scheme:** Public Sector Comparator was £35m cheaper until £70m “risk transfer” was added into calculations. Complaints include collapsing classroom ceilings, reductions in classroom sizes

**Wishaw Hospital:** Almost 200 of 500 non-clinical support staff jobs axed, with services privatised. 130 beds lost in Lanarkshire. £110m hospital will cost £648m over 30 years.

**Hairmyres Hospital, East Kilbride:** lack of beds, lost patient records, IT failures and structural faults in new £67.5m PFI hospital. Holes in walls, sewage system leaks. Staffing levels cut, staff morale rock bottom

**Carlisle:** Catalogue of complaints over quality of £87m Cumberland Infirmary: cramped wards, no air conditioning (summer temperatures “hotter than the Sahara”, according to local press) lack of space, collapsing ceilings, poor maintenance. Emergency admissions halted July 30 for lack of beds. “Mulberry UNIT” (prefab ward) used for extra bed space.

**Halifax:** new Calderdale Hospital reported to need redesign and modification to meet requirements of NHS Plan. Trust running deficit despite £10m debts written off. Cost of scheme, estimated at £34m in 1994, had risen to £103m by Nov 2001.

**Manchester:** New Wythenshawe Hospital cost £89m (against initial estimate of £40m) but will involve payments of £630m over 35 years. Extra cost means that every NHS Trust in Greater Manchester is being told to make 2% cuts. CHC has complained of secrecy in project planning for new Central Manchester PFI, including Children’s Hospital, which has now increased in projected cost from £250m to £300m. Trust now looking at deficit of over £13m a year, compared with expected savings of £2m.

**Nottingham:** Queen’s Medical Centre catering scheme possibly the most expensive small scale PFI scheme of all: £1m capital value, but total cost to Trust £23.8m

**University Hospitals of Leicester Trust** scheme has massively escalated in cost in two years, almost doubling from £150m to £286m in 2001, and then rising by almost 25% to a staggering latest estimate of £363m.

**Neath:** £66m PFI hospital built (biggest PFI in Wales): but no information published on value of Neath Hospital site, to be sold off as part of deal.

**North Bristol:** Small scale (£4.9m) PFI deal in Brain Rehab Unit will cost more than eight times as much over contract period (£42m)

**Swindon:** £45m refurbishment wound up as a £148m hospital on a remote greenfield site. New Great Western Hospital, with 80 fewer beds, ran out of beds and trolleys within 3 weeks of opening.

**Hereford:** desperate bed shortages have meant that 1940s hutted wards, due for demolition, are still used. Campaign for extension

**New £100m hospital in Worcester** – brought reduction of over 25% of acute beds in county, including most of Kidderminster’s 250 in-patient beds

**Lothian PCT** has abandoned plans to build new psychiatric hospital with PFI money because it would delay scheme by 2 years.

**Edinburgh Royal Infirmary** involves 28% cut in beds, 18% cut in staff costs, massive increase in patient throughput. Restricted car parking charged at £2.20 per hour. The cost of the building is £184m, but the land of the City hospital and the Princess Margaret Rose, sold off for £12m to the consortium, is now worth in excess of £200m. So the land itself could have paid for it!

**West Lothian College,** opened in Spring 2002, forced to turn students away and cut staff as result of cash crisis. PFI payments £1.1m a year, plus another £11m over 20 years, equivalent to 13% of College turnover – a “major contributory factor” to cash problems.

**NEWCASTLE DSS building:** Cost to DSS rose from £0.4m a year to £4m: scheme cost £51m more than previous accommodation. Cost of advisors rose from £250,000 to £3m

**Middlesbrough:** (South Tees) Publicly financed hospital scheme was £29m cheaper, but “risk transfer” estimated at £67.8m to justify PFI funding

**Bishop Auckland:** Brand new £67m hospital faced with probable downgrading and merger with other local hospitals, losing maternity, children’s and major surgical services. No space for medical records.

**University Hospital of North Durham,** loss of over 100 beds: Trust now admits bed numbers inadequate. Surgery halted for lack of ITU beds on day hospital opened by one Mr T. Blair. New hospital costing £800,000 a year more to run. Repeated problems with flooding and leaks.

**Norfolk & Norwich** Original plan £90m and major bed cuts: later revisions added beds but pushed up costs to £228m. Bed shortage continues, no airconditioning, office temperatures up to 35 degrees.

**Whipps Cross Hospital Trust** upgrading scheme has soared in price to £313m, questioning its financial viability.

**Dartford (Darenth Valley):** Projected cost £97m: eventual cost £137m. 100 fewer beds. Refinancing gave £20m extra to developers. National Audit Commission found there had been no competition, since only one consortium tendered.

**Amersham Hospital:** No space for clinical waste. Bathrooms too small for hoists to lift patients. Penalty clauses invoked after failure of electrical power system.

