Right Royal profits on course?

● **THE GIANT £260m PFI project to rebuild the Royal London Hospital is allegedly back on track, despite the withdrawal of a shortlisted bidder, Laing.**

The scheme is expected to guarantee the winning consortium a rental income for 30 years: but the impact on costs seems likely to cause huge problems for the cash starved East London & City Health Authority.

Not what doctor ordered

● **BMA chiefs have attacked the PFI scheme. Secretary Mac Armstrong warns that it represents "the start of an insidious, piecemeal process. ... If it proceeds unchecked it could cause the whole fabric to collapse."**

"PFI is not putting shares in the hands of ordinary people – it is bringing in large multi-national companies answerable to shareholders and commercial pressures which have nothing to do with the local health service they are meant to be providing."

Andrew Ward

Even the fat cats have been complaining that PFI has not been delivering the goods: applications can cost up to £500,000, but so far no profits have been made

Counting the cost of Private Finance fiasco

By John Lister

THE TRUTH is out. Far from saving money for the NHS and reducing public spending, the government's controversial Private Finance Initiative is substantially *more expensive*.

It amounts to little more than the discredited "creative accounting" which government ministers ridiculed when it was implemented by local councils in the 1980s.

Flagship

The bitter truth has finally been admitted by a project director of one of the two much-delayed flagship schemes to be financed under the PFI, the new Swindon and Marlborough hospital.

According to Trust boss David Roberts PFI projects for the NHS will carry "a higher long-term revenue cost".

If the new hospital were built to its original specifications its services would cost health authorities more than expected.

This is a step back from a few months ago, when Wiltshire Health Authority chiefs admitted that they had given up hope of achieving any savings from PFI, and had "accepted a revenue- neutral position".

It coincides with the findings of a Gallop poll among Trust bosses conducted by UNISON, which found that 70% of Chief Executives thought PFI would not be cost-effective in the long run.

90% thought the private sector would take no risks, and would only get involved if profits were guaranteed.

The scale of the new Swindon hospital has already been slashed from 520 to 480 beds, and latest figures suggest there will be a massive funding shortfall during the period of the PFI contract.

To make matters worse there are now even doubts over the suitability of the site selected for the new hospital. More delays are almost certain.

PFI's growing catalogue of failed schemes

THE SWINDON shambles is just the latest episode in the saga of confusion, delays, disasters and moving goalposts which have effectively paralysed any large-scale hospital development since the introduction of PFI in 1994.

The scheme stipulated that any NHS development project costing more than £5m had to be opened up to tender, giving private companies the opportunity to invest in hospital buildings, equipment and 'non-clinical' support services.

The threshold for PFI has now been lowered, to involve any scheme costing over £1 million.

As a result even re-

placement ambulance radio systems costing £2- £3 million have become impossible to obtain, as the system grinds to a standstill. Computer projects have been halted.

There is no easy escape. To press-gang Trusts into seeking private partners, Chancellor Kenneth Clarke has inflicted drastic cuts in government capital funding for the NHS.

But big companies have been understandably cautious about investing tens of millions in the rickety future of cash-strapped Trusts.

As one banker told the *Health Service Journal*, most banks would not lend to a company which – like most Trusts – was losing 3% of its income annually, while being committed to pay at least inflation-level increases to staff.

The companies demanded new legislation which would change the rules, effectively committing any future government to pick up the debts of any Trust which went bankrupt and thus guarantee the profits of PFI firms.

The new law was steamrollered through Parliament – but now city lawyers are worried that it still leaves loopholes which might leave companies carrying a degree of risk if they invested in floundering Trusts and ministers refused to intervene.

Trusts are specifically debarred from mortgaging their assets, meaning they can only offer profitable deals to PFI companies by paying hefty annual fees to 'lease back' new buildings and buy privately-run services, or by handing over 'surplus' land for development.

As Derek Smith, Chief Executive of King's Healthcare Trust in London told a recent conference:

"PFI makes it almost impossible to do anything unless you have a large slab of land somebody wants to develop."

Big firms are also deterred by the complexity and costs of developing PFI bids.

With extensive involvement of lawyers, accountants and planners, each deal can cost companies at least £500,000.

One recent example, the proposed sale and lease-back of Coventry's Walsgrave Hospital, involves a contract running to 17,000 pages – just short of Encyclopaedia Britannica.

Reversing into PFI

● **A LABOUR government is now bizarrely seen by some business chiefs as the potential saviour of the floundering PFI.**

Shadow Treasury minister Mike O'Brien argues that "This idea must not be allowed to fail. Labour has a clear programme to rescue PFI."

This full-scale retreat follows the backpedalling of former shadow Health Secretary Harriet Harman, speaking at a UNISON conference on PFI in June. She offered only that a new Labour government would "overhaul" the PFI.

A year earlier her predecessor Margaret Beckett had dismissed the scheme as "totally unacceptable".

Opposing PFI: UNISON's Bob Abberley

UNISON's health conference this year pledged the union to fight for PFI to be scrapped, and for any assets and services handed over to private firms to be repossessed.