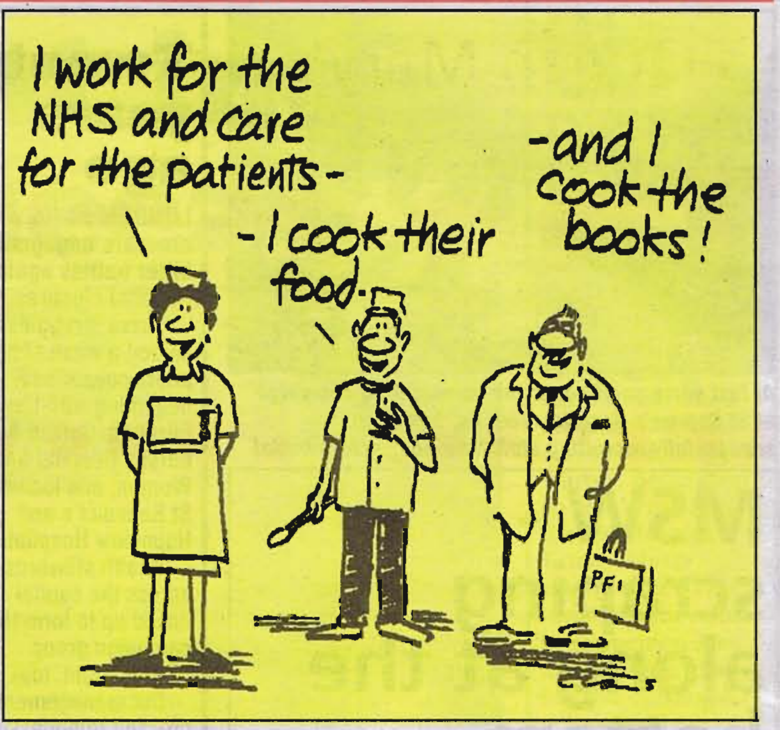
PFI schemes are an expensive way of closing front-line NHS beds and asset-stripping prime hospital sites



PFI launch: bankers say "yes" to guaranteed profits, but

Hospitals count cost of private borrowing

THE FRIGHTENING cost of borrowing money for hospital development from big business consortia is beginning to emerge as more deals are signed by NHS Trusts under the Private Finance Initiative.

In north London, the cost to Wellhouse Trust (and the taxpayer) over 25 years of financing a £40m second phase of Barnet General Hospital adds up to a massive £425 million.

The cost of the building itself, paid for at a rate of interest reported to be a thumping 13%, adds up to £168 million over 25 years, more than *four times* the original cost.

But the lion's share of the monthly fee of £1.4m which the Trust will have to stump up – on pain of draconian financial penalties for late payment – is to cover contracts for privatised "hotel services", maintenance and the lease of computers and medical equipment.

The companies within the PFI consortium will have a monopoly over these services, with their £10m a year contracts (and profits) index-linked and immune from any "cost efficiency" savings which may be imposed on the Trust.

As a result of this, any savings which are demanded will have to be squeezed out of clinical services and direct patient care.

If anyone doubts that PFI represents an extortionately expensive way of financing new buildings for a cash-strapped NHS, we should note that on a conventional mortgage rate of 8% the £40m Wellhouse project could be paid off over just 13 years with annual payments of £5m – a net cost of just £65m, with no strings attached.

Fixed contract

By contrast the the PFI deal leaves the Trust hogtied to a fixed contract which could in theory leave Wellhouse (or the government, which is to underwrite all PFI deals) obliged to pay over £10m a year for support services long after the beds and services they were to support had closed.

The Wellhouse deal is in fact one of the smallest of a raft of PFI deals clinched under the new government, although very lucrative for the consortium involved.

By contrast the PFI package to finance the new £115m **Dartford Hospital**, partly underwritten by the "swap" of £22m worth of land on two existing hospital sites, is costed at £17m a year for 30 years – a total of £510m. The interest rate is 11%. This may appear to be a comparative bargain – until we realise that £17m is a massive 35% of the present revenue of the Dartford and Gravesham Trust.

So you're the man with the £300 million PFI scheme? I think they are considering it now ...

Another common feature is the inherent price inflation involved as PFI consortia move in on NHS schemes.

When first advertised for tender in 1995, the second phase of Barnet General was costed at £29 million. By the summer of 1997 this had rocketed 38% to £40m.

In **Swindon & Marlborough**, a new hospital costed at £90m in 1994 has risen in price inexorably by over 50%, to £148m in 1997, while rows continue over the latest proposed site for the hospital outside Swindon and close to the Coate Water nature site.

The Trust admitted some time ago that PFI is more expensive than other options for financing the new hospital. Bed "places" would be axed from 703 to 540.

Spectacular

The inflation of the PFI scheme just announced in **Greenwich** is even more spectacular. The project of rebuilding the Queen Elizabeth Military Hospital as a new District General Hospital was costed at just £35m in 1995: by September 1997 the new government proudly announced "Green light given for new £85m hospital in Greenwich" – well over double the initial estimate. But of course the final bill to the NHS will be vastly higher.

The new hospital will have 100 fewer beds than the current number provided by the Trust: each closed bed is to cost £85,000, paid for at high interest, with strings, over the next 25 years.

In **Bromley**, where a £121m PFI deal for a new hospital (costed at £80m in 1995) is expected to be signed "early in the New Year", campaigners are warning that the projected 509 beds – a 13% reduction – will be insufficient to cope with peaks of demand. Each closed bed will cost £1.6 million.

Perhaps the most devastating deal nearing completion is at **Edinburgh Royal Infirmary**, where 1,300 beds could be cut to 800, with a halving of the present 6,000 workforce.

It is already clear that the PFI process is set to funnel billions in taxpayers' money into the swollen coffers of banks, construction firms and contractors.

The consequences are likely to be a further squeeze on front-line patient care, increased pressure on the reduced number of NHS beds – and a virtual standstill on investment in community and mental health services, except where the Trusts can self-finance changes through sale of surplus land.

Guy's: the squeeze goes on

THE CHANGE of Government and the promised moratorium on closures has done nothing to stop the run down of Guy's Hospital

To date there has been no adequate explanation as to why Guy's was excluded from the specific terms of reference of the London NHS Review but managers at the hospital appear to have taken this omission as a green light for stripping services away from the Guy's site.

Apparently, Department of Health officials have said that Guy's didn't need to be included in the moratorium because it wasn't being closed. If the hospital is not being closed, it's certainly being dismantled bit by bit.

In July cardiac services were shunted over to St Thomas's with trauma services following this autumn. Local campaigners have pointed out that the loss of trauma is another nail in the coffin of Guys A&E which is still due to close in time for the millenium. ENT is due to follow soon.

The current strategy is for Guy's to have just 112 elective surgical beds on site although some buildings would also be rented out to the local Mental Health Trust. Overall the combined Guy's and St Thomas's Trust would be reduced down to 1100 beds - a cut of another 300 beds on the current total.

With 1000 beds on the St Thomas's site and just over 100 at Guy's the whole strategy is chronically out of balance and would certainly not pass any kind of efficiency test. A&E services at Kings, Lewisham and St Thomas's would be thrown into turmoil by the displaced 58,000 a year caseload currently handled at Guy's.

In a scandalous waste of public money it is planned that eight floors of the Guys Tower and the whole of New Guy's House – 11 floors – will be vacated and left empty. The combined area is equivalent to two entire District General Hospitals.

Campaigners at Guy's have not let these issues drop and have fired detailed evidence into the London Review pointing out the dangers, waste and inefficiency endemic in the current scheme. They deserve our full support in their efforts to protect services on the Guy's site.

Early protests: but Guy's rundown is speeding up