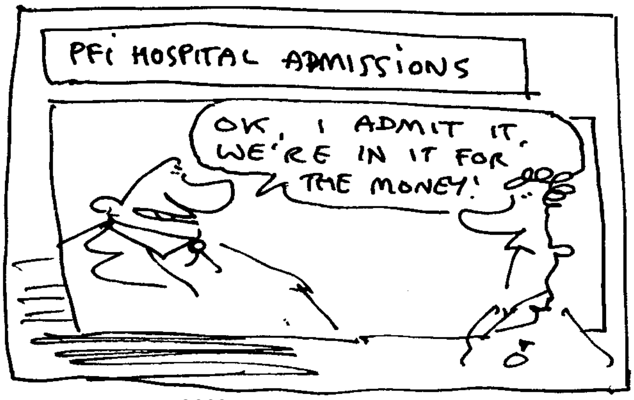
UNISON
NW Anglia Health Branch
PFI Briefing

Peterborough Hospitals Trust has now shortlisted down to three main consortia bidding for the contract to finance, design, build and provide ongoing services in a new single site hospital. None of the companies involved are likely to be household names for most people in the city.

So UNISON has got digging, and here is a rundown of each of the main firms involved.

Who are the companies bidding for Peterborough's £300m Hospital PFI?



MediCo (Amey plc and Ferrovial Agroman S.A.)

This is not so much a consortium, more a major Spanish corporation (Ferrovial) and its British subsidiary.

Founded in 1952 and headquartered in Madrid, Spain, **Grupo Ferrovial S.A**. (Ferrovial) is Europe's second largest construction company. While construction remains Ferrovial's core activity, the company has diversified into complementary areas of business, including infrastructure, real estate and services, which now account for 68% of turnover: it employs more than 28,000 employees in a dozen countries around the world,

Ferrovial-Agroman specializes in privatized hospitals, highways, railways and water treatment plants, and is also bidding for the contract to build, own and run a new 400-bed PFI hospital for the southeast end of Calgary in Alberta, Canada.

In the summer of 2002 the company's cleaning contractor subsidiary Ferrovial-Eurolimp triggered a prolonged strike by 300 hospital cleaning staff at the Ramon y Cajal Hospital in Madrid after dismissing 10 of the 13 committee members representing the cleaners. Last year Madrid's Superior Court ruled that the dismissals were invalid and motivated by anti-union policies.

Prior to its sale to Ferrovial for £81m following a collapse in its share price, **Amey** had been one of the early companies specialising in PFI, and involved in the part-privatisation of the London Underground network.

However in September 2002 Amey decided to sell off most of its PFI investments to Laing Investments, and its one-third share in the Tube Lines Consortium to other consortium members.

Four former Amey directors picked up pay-offs totalling over £1m in the financial year 2002-3, including £361,000 to former chief executive Brian Staples, who had presided over a 90% drop in the share price.

Among the contracts Amey has maintained has been a £1.2 billion project to provide and service 29 new and upgraded secondary schools in Glasgow. However the company missed hundreds of performance targets for the first quarter of 2003-4, notching up failures on more than one in five targets for cleaning, such as emptying bins and dusting classrooms.

Amey was still failing at more than a third of these when reinspected later on. Overall the company was hitting just 83% of performance targets, although their regional manager announced that "we are very happy with the level of service we are providing".

The Glasgow City Council monitoring report noted the company's loss of local managers and its problems in recruiting staff, and that Amey still had progress to make on monitoring the quality of its work.

Progress Health (ABN Amro Bank and Multiplex Construction (UK) Ltd)

ABN-AMRO is a major investment bank which has "built its business on arranging debt". It is seeking to establish a network of subsidiaries throughout Europe.

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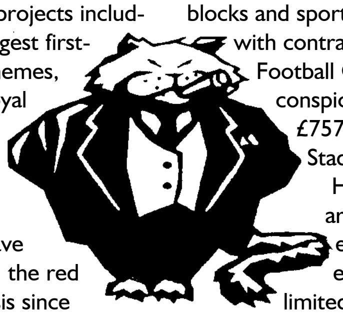
ABN AMRO already has a leading position in France and the Netherlands, and a strong presence in Switzerland, Belgium and Luxembourg.

In December it bought a private German bank for 110 million euro in cash, bringing the assets it controls in German banking up to more than 10 billion euro: Europe-wide it administers assets estimated at over100 billion euro.

In Britain, ABN AMRO is especially targeting hospitals, government buildings and accommodation projects. It has been involved in the financing of a number of PFI projects including two of the largest first-wave hospital schemes, the Edinburgh Royal Infirmary and Norfolk & Norwich Hospital.



Both Trusts have remained deep in the red and locked in crisis since the new buildings came on stream.

Multiplex UK is a relatively recent addition to the global operations of the Australian parent company, Multiplex, which is perhaps best known for its construction of the Olympic stadium for the Sydney games.

In Australia, Multiplex has expanded to cover the continent, and secured contracts in Asia, but has built only one medium sized hospital (a £94m complete demolition and rebuild in Brisbane), and the company's portfolio of past and present contracts includes only one other hospital, a small-scale (£23m) building in Auckland, New Zealand.

In Europe, Multiplex has so far built only office blocks, high-cost luxury flats and apartment blocks and sporting venues – with contracts for Chelsea Football Club and, most conspicuously the new £757m Wembley Stadium.

However things are no going entirely smoothly even within this limited range of buildings: work at Wembley was suspended in mid January for investigations by the Health and Safety Executive after one workman was killed and another injured when a 100 foot scaffolding platform collapsed on them.

Skanska Innisfree (Skanska BOT Investments UK Ltd, and Innisfree Ltd)

This consortium has begun picking up some very substantial PFI contracts. **Innisfree** is the financial backer, while **Skanska** is the construction firm, based in Sweden. Its primary markets are Sweden, the US, UK, Denmark, Finland, Norway, Poland, the Czech Republic, Argentina, Hong Kong and India.

The two companies would need to identify a contractor to provide support services.

The consortium has controversially recruited to its management team the former chief executive from the Barts and the London NHS Trust, who has emerged as project director of the biggest and most expensive privately financed hospital project so far concluded outside the capital, the contract to build the £359m Walsgrave Hospital in Coventry.

Ray Pett was Chief executive of the Barts and the London NHS Trust in East London until 2000, but now works – alongside other former senior managers and a former chairman of the same Trust – for a division of the giant Skanska Innisfree consortium.

Mr Pett's role in Skanska Innisfree's bid for the controversial £620m Private Finance Initiative contract with his former Trust, to build a new Royal London hospital in Whitechapel and upgrade the ancient Bart's Hospital site was challenged last year by City & Hackney Community Health Council, who declared it "unethical" that former senior managers with detailed knowledge of the Trust should be involved.

The government's standards watchdog responded by saying that although it does not examine individual cases, it will take the CHC's comments into account in planning its future work programme.

One common factor to both the Barts & London and the Walsgrave PFI projects has been the massive escalation in cost – in each case virtually doubled from the initial projection.

The Walsgrave Hospital was expected to cost £174m at the "best and final offer stage", but was finally agreed at £359m – meaning that the Trust will have to pay index-linked fees of £50m year for the next 35 years.

The Barts & London project was originally announced as a £330m scheme in the mid 1990s, but during Mr Pett's time in charge that estimate rapidly increased – and the expected cost rose to more than £620m.

Now, with Skanska Innisfree as preferred bidders for the project, the final and confidential stage of the negotiations has begun, with the expected cost already sharply increased yet again – up from £620m to £1.025 billion – a rise of 65%.

If the costs of the Bart's and London scheme are levied at a comparable level to those in Coventry, this could mean the Trust facing payments of anything up to £150m a year for 30 years or more.

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