Time to reopen PFI contracts

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It is time to reopen private finance initiative (PFI) contracts say leading public health physician, Professor Allyson Pollock, and colleagues in the British Medical Journal today.

Professor Pollock, who is based at the Centre for International Public Health Policy at the University of Edinburgh, argues that "NHS PFI contracts are not good value and are endangering patient care".

Since 1997 most large-scale public capital investment in the UK has been through PFI purchasing schemes where investment banks and building companies raise the finance for public infrastructure projects.

In England, 101 of the 135 new NHS hospitals built between 1997 and 2009 were paid for under PFI (90% of the £12.2 billion committed under successive building programmes).

The authors explain that debt repayments amounting to £42.79 billion are due under the contracts and that the annual repayments will increase just when public spending is being cut back.

Evidence of high cost of PFI investment relative to public financing is well established, they say, and the high interest charges set by banks together with returns demanded by equity investors are not justified by the risks involved.

In a number of schemes, annual debt repayments to the PFI consortia were between 1.49 and 2.4 times higher than the amount that would have been charged to the UK government if they had borrowed the money themselves, a one hospital for the price of two policy. They add that "PFI interest rates have risen since the banking crisis and are exacerbating the serious financial difficulties of PFI hospitals and the NHS as a whole."

A report from the National Audit Office (June 2010) says contract monitoring of PFI projects is deficient and that some trusts are paying more for PFI services than needed. This lack of control over PFI costs has serious implications for the quality and levels of NHS care, conclude the authors.

According to Professor Pollock, "the taxpayer and NHS patient is paying several times over: the multi billion pound government bail out of the banks coupled with the debts incurred on PFI schemes underpin the current reductions in public expenditure and public services. Cuts in NHS funding and the high cost of PFI debt charges translate into staff redundancies, service closures and reductions in access to and quality of care for patients."

They also question the affordability of PFI in the current financial climate and argue that it is time to reopen and evaluate the contracts. They say "the recent government rescue of the banks to the tune of hundreds of billions of pounds following the financial crisis in autumn 2008 presents an ideal opportunity for reopening the contracts."

They add that "the current situation which privileges investor returns at the expense of public health care and services and NHS staff cannot be allowed to continue".

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