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ANALYSIS

‘This could lead to the private sector taking full control of NHS hospitals’

TWO weeks ago we revealed the contents of a report exposing the staggering levels of profits being pocketed by construction companies and banks on the back of Private Finance Initiative building projects such as the rebuilding of Barnet Hospital. DEXTER WHITFIELD, the author of the damning report and director of social justice watchdog the European Services Strategy Unit, tells us why Barnet residents should be concerned and what it could mean for the borough’s services.

By Dexter Whitfield

THE PRESS recently reported (January 13) how HSBC Infrastructure acquired 100 per cent control of the Barnet Hospital PFI project in four share transactions since 2002.

HSBC’s response to media reports of huge PFI (now commonly termed Public Private Partnership (PPP)) profits claimed “there’s been a social benefit” and “PFI is an effective way of improving infrastructure”.

But PFI projects are entirely publicly funded – the private sector designs, builds, finances and operates a building and is repaid by the public sector over a period of 25 to 30 years via monthly payments. There is growing evidence that the public price of this “private” model is not acceptable.

The 50.6 per cent average profit from the sale of shares in PFI companies brings into question the original value-for-money assessment when the hospital project was approved. There is no profit-sharing with the public sector. The assessment process has been fiercely criticised by policy advisers and academics and the new evidence of profiteering raises further questions about the amount of money going from hospital budgets to repay PFI contractors. For example, Metier Healthcare Ltd, the Barnet PFI project company, ultimately owned by the shareholders of HSBC Infrastructure (based in Guernsey) had a total of £2.5million pre-tax profits in the past two years alone.

Although changes in the ownership of PFI project companies do not affect the terms of the contract, each sale brings added pressure for the new owners to transfer risk to sub-contractors, increase efficiencies and therefore profits. This can include increased fees and charges for moving equipment and furniture and changing the use of rooms. It can also lead to pressure to reduce jobs and alter terms and conditions.

Does it matter who owns PFI companies at the end of the contract? In 2029, Barnet And Chase Farm Hospitals NHS Trust will have an option to grant a 125-year lease of the hospital, to extend the concession agreement for at least ten years, or to pay the company £4million. If HSBC Infrastructure continues to acquire PFI shares, as a powerful global fund, it will be able to influence decisions about the future control of the hospital. The continued profitability of HSBC Infrastructure will be the prime concern, not the health needs of Barnet residents or the interests of Barnet Hospital. The National Audit Office has recognised that the sale of PFI shares could lead to “disproportionate market power” by a few companies but has done little to address this. The trend towards hospitals and schools becoming traded commodities rather than community resources is well under way.

Now is the time to act, not when it is fully established. Furthermore, this could lead to the private sector taking full control of NHS hospitals and schools and to delivering core medical and teaching functions, not simply support services.

£70m Barnet Hospital PFI rebuild makes huge profits for firms as banks snap up ‘investments’

By James Lowe

Exposed: The Press report on profiteering

In addition to the sale of equity, shares are often transferred between subsidiaries of the same parent company. For example, the 85 per cent share stake in Barnet Lighting Services, the PFI street lighting project company, has shifted between the Mill Group and subsidiaries of Investors In The Community since 2006. Tracking the sale or transfer of shares between companies is difficult and time consuming. “Commercial confidentiality” and the lack of transparency are endemic.

The management and operational control of buildings by international companies, often headquartered in overseas tax havens, further reduces accountability and transparency. It could affect the flexibility, responsiveness and quality of service and erode public service principles and values.

Remember, PFI contract payments are legally protected and will inevitably take a larger share of council and NHS budgets as public spending cuts bite.

❑ **Dexter Whitfield is the director of European services strategy unit and adjunct associate professor, University of Adelaide**

Barnet Hospital: Counting the cost of PFI deals