

Britain

# Labour's backdoor privatisation of essential public services

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The British Labour government has embarked on a massive programme of privatisation. This will hit vital public and social services via the Private Finance Initiative (PFI) and Public/Private Partnerships. Within a few years most of Britain's hospitals, schools and other services will be owned by big corporations. It means ever fewer essential services at greater cost to the taxpayer, while spawning new corporations almost entirely dependent on the state for their profits.

Under PFI, private sector corporations design, build, own and operate services in return for an annual fee for the duration of the contract, typically 25 to 35 years. So far, PFI deals have involved roads, bridges and prisons. The National Audit Office and Audit Commission, the government's own financial watchdogs, have published reports highly critical of these schemes. They cite poor value for money, increased costs, the dominance of commercial interests at the expense of national priorities, lack of competition and inadequate monitoring, and criticised the government for failing to seek independent financial advice.

Introduced under the Conservative government in 1992, PFI was struggling until the incoming Labour government cleared the obstacles in its path. Far from abandoning PFI, which it had opposed before taking office, New Labour is now extending PFI into education, health, defence, fire and police stations, and the courts. Planned capital projects covered by the scheme are worth £12.9 billion. The annual expenditure commitments for just the existing contracts amount to 3 percent of the government's operating expenditure. Chancellor Gordon Brown has said that these payments are 'protected', so they have first call on public finances that have been fixed, in cash terms, for the next three years.

Twelve months after the PFI Task Force was set up by the Blair government, 52 significant projects were signed. Last month another 30 major projects were announced. Speaking about the second list Geoffrey Robinson, the Paymaster

General, said, 'We are now seeing many strong, well-structured schools and hospital projects coming through, reflecting the Government's key priority areas.'

These new PFI hospitals, the cornerstone of the government's investment programme, provide a dire warning for what is to come. They will be designed, owned and operated by consortia made up of construction, Information Technology, medical supplies and domestic services corporations that will provide all non-clinical services, including medical records, pharmaceuticals and information systems. Some medical services will also be contracted out: for example, radiology, pathology, medical physics and breast cancer screening. More than 30 hospitals, together worth more than £2.5 billion, are being built with private finance.

PFI hospitals mean fewer beds, fewer staff, fewer operating theatres and higher overall costs. Surplus land, buildings and assets such as car parks will be sold off. To maintain their revenues with fewer facilities, the remaining staff will have to increase the 'throughput' of patients by more than a quarter and achieve 'very challenging performance targets'. Yet Britain already has the lowest cost public hospital system in the industrial world.

At the new University College London Hospital, there will be 30 percent fewer beds, 28 percent fewer nurses and 20 percent fewer operating theatres than the facilities it replaces. Despite being one of Europe's leading teaching and research hospitals, the new complex will have no lecture or seminar rooms and no research facilities.

In West Hertfordshire, North London, it means closing four accessible hospitals, and replacing them with a single new hospital with 50 percent fewer acute beds, on a remote, greenfield site. This is despite rising waiting lists both locally and nationally. The consortium will sell the surplus land for redevelopment.

The Health Authorities claim that new technology and new forms of healthcare delivery reduce the need for acute care

provision; new treatments mean that patients can be discharged more quickly; and can be treated more effectively in the community and by the primary care sector without in-patient stays. All the evidence shows that these claims are fraudulent. Day surgery is no longer increasing. Primary care and social services simply do not have the resources to cope with vulnerable patients discharged into the community without any family to look after them.

'Inevitably there will be pressure on PFI hospitals to change their casemix and select patients carefully if they are to maintain their income,' said Allyson Pollock, Professor of Healthcare Policy at London University, who has examined the healthcare plans of several of the new hospitals.

This means concentrating on forms of healthcare treatment where patients can be discharged early and often; and on elective surgical treatments for those who are basically well rather than those who are chronically sick. It will exacerbate the inequalities in health between the rich and poor. Millions of families will be driven to take out private medical insurance. Many more will find that they are denied access to treatment.

The targets set by government cannot and will not be met. Already hospitals are desperately short of staff as nurses, unable to cope with the stress of increasing workloads and fewer resources, are leaving in droves. This, and the burden of higher costs to service the PFI consortium, will create unsustainable deficits for hospitals. It paves the way for further closures of wards and facilities. Alternatively the NHS must stump up more cash.

The PFI consortium decides what kind of hospital will be built. But its interests are to maximise profits, not the community's healthcare needs. Many projects are turned down because they are not 'PFI-able'. Only hospitals in strategic locations are financially attractive. Hospitals in need of refurbishment are not a viable proposition. So 28-year-old hospitals in Coventry and Swindon, needing renovations costing £30 million, are to be demolished and replaced with smaller hospitals costing £180 million and £140 million respectively. Presently, half of all hospital beds are currently in accommodation that was built before 1914.

As the scale of the increased costs became clear, subsidies were given and resources were switched from other hospitals to drive through PFI. In the case of Coventry, the NHS provided an equipment grant of £25 million that was nearly as much as the cost of the original refurbishment scheme that was turned down.

The government claims that these PFI schemes are better value for the money than publicly funded facilities because risk is transferred to the private sector. Whereas all governments previously justified privatisation with claims of increased efficiency, the Labour government justify PFI and

public/private partnerships on the basis of *risk transfer*. This new mantra involves totally unverifiable calculations with numbers plucked from the sky, as Professor Pollock's team has shown. These deals are shielded from public scrutiny with claims of 'commercial confidentiality', despite the fact that schools and hospitals are public agencies.

The consortia involved in such deals are not prepared to accept such a transfer of risk. For example, Meridian Plc, the consortium for the £84 million Greenwich Hospital, launched a 30-year, £91million bond to finance the deal and stated in its introduction to risk in its Offering Circular to the Stock Exchange:

'The Issuer [Meridian Plc] has structured the contractual arrangements for the Project such that there *are intended to be few risks inherent in the Project which are retained by the Issuer*' ( *Barclays Capital* 1998) [Emphasis added].

A credit rating agency rated the deal at BBB+--two notches above the investment grade threshold--and said the borrower was highly unlikely to default. It noted that investors were also partly protected by a 'letter of support' from Frank Dobson, the Health Secretary, which provided bondholders with 'additional comfort'. Several other PFI deals that have raised finance on the bond market have received AAA ratings, the highest. By opening up the remaining public services to private profit, the Labour government is presiding over the destruction of services upon which the overwhelming majority of the people depend, so as to increase the wealth of the few.

See Also:

Report finds UK health inequalities have widened significantly

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