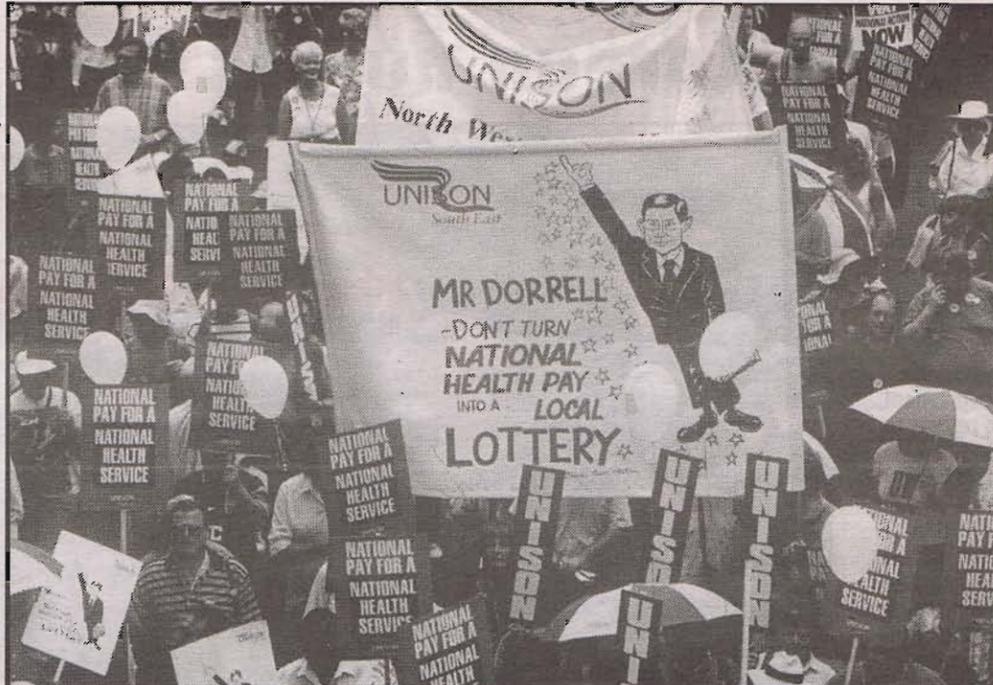


# Flagship Trust sinks private cash project

Pay will be even more of a lottery for healthworkers 'taken over' by PFI consortia, who will have long-term monopoly contracts for support services



Andrew Ward

THE DECISION to scrap a £92 million development plan for St Thomas's Hospital has delivered a potentially fatal blow to the government's floundering "Private Finance Initiative" (PFI).

Introduced in 1993, supposedly to draw private capital into NHS building projects, PFI has had the effect of paralysing almost every major development scheme up and down the country.

So far not a single brick has been laid under any major PFI scheme, and



only one substantial hospital building contract has been agreed under PFI, the ludicrously expensive £193m Norfolk and Norwich Hospital project, which has yet to find a source of funding.

No detailed costings of the Norfolk & Norwich deal have been published, but the contract unveiled in November spans 60 years, and means that throughout that period the consortium of John Laing Construction and General Healthcare Group will own and run the hospital for profit, employing all non-clinical staff, and enjoying a monopoly position as a provider of support services.

However the collapse of the St Thomas's project has underlined the enormous overhead costs that

will inevitably be passed on to the Trusts involved in PFI schemes.

The building of a new women's and children's hospital at St Thomas's and extensive backlog maintenance by the consortium of Tarmac and United Medical Enterprises, would also have been tied in with a £20m a year contract for support services.

The total costs of such a deal were so enormous that even the flagship Guy's-St Thomas's Trust, with a total income of £256m a year, was forced to conclude it was too expensive to proceed, and that a publicly-funded option would represent much better value for money. But even going through the process of inviting and assessing PFI bids cost the Trust over £500,000.

This fiasco could soon be followed by problems



at East London's Royal Hospitals Trust, where a crazy PFI scheme for a £310m 'white elephant' hospital on the Whitechapel site was announced to a fanfare of publicity in October.

The Royal Hospitals plan would produce some of the most expensive hospital beds ever built in Britain, with a capital cost of £250,000 per bed, while reducing the number of acute beds available for local patients.

So expensive would the scheme be that it is most unlikely that the local health authority would be able to send patients there for routine treatment, making it the NHS equivalent of Canary Wharf.

This raises the possibility that the full business case could be rejected by the Trust itself or by the Treasury, which is supposed to check that PFI schemes represent 'value for money'.

Doubts over the future

## PFI: the chaos continues

THE NONSENSE of PFI is well illustrated by the decision of West Kent Health Authority to back a £100m PFI scheme to build a new hospital for Dartford and Gravesham, despite an £8m overspend this year and a potential shortfall of £17m over the next five years. An £80m scheme was thrown out by the Department of Health three years ago.

IN SWINDON, the long-running saga of a £90m PFI project to build a new general hospital opened a new chapter of delays with the decision to postpone the transfer of support staff at



Princess Margaret Hospital to Tarmac Servicemaster, who are supposed to run the new hospital.

Local bus chiefs have also warned they will not find it economic to run services to the new hospital site.

And Trust boss Dave Roberts has admitted that the PFI scheme will carry "a higher long term revenue cost".

TWO bidders for a £200m hospital

scheme in Edinburgh were forced to re-tender after their first prices were 50% higher than the health authority could afford, with charges of up to £60m a year.

REFERRING to the PFI as an alternative source of investment for the NHS, Chancellor Kenneth Clarke slashed another £200m from the NHS capital budget for 1997-8, hard on the heels of the previous year's 16% cut, despite a massive £2.4 billion backlog of NHS maintenance.

PFI projects totalling over £800 million for London alone are currently stuck in the growing log-jam of the failed scheme.

contemplating desperate action.

The latest idea is that the government should try to kick-start the PFI process by giving cash hand-outs to some of the Trusts who are getting cold feet over the cost.

The DoH is even considering offering written assurances to bankers involved in PFI projects that the government will un-

derwrite any liabilities should a Trust default on a deal.

This is just the latest shift of the goalposts as the government struggles to sell a scheme that could massively increase the overhead running costs of Trusts for decades to come, leaving the taxpayer to foot the bill as companies coin in profits from the NHS.

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At present the site carries samples of LHE's press releases, reports, a list of publications available, details of subscriptions, and a brief history of LHE since its formation in 1983.

It is hoped that the page will soon be more regularly updated, offering a full back catalogue of press releases and

contacts with useful local campaigns. LHE can also be contacted by e-mail. The web page can be found at <http://www.jingo.com/health-emergency/> Our e-mail address is [emerg@health.win-uk.net](mailto:emerg@health.win-uk.net) Don't forget you can also Fax us in the old-fashioned way on 0181-960-8636, or even telephone on 0181-960-8002.