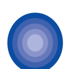
European Services Strategy Unit: Research Report No. 8

The financial commodification of public infrastructure

The growth of offshore PFI/PPP secondary market infrastructure funds

Dexter Whitfield

Buying and selling: hospitals, health centres, mental health facilities, schools, colleges, care homes, libraries, trams/light rail, motorways, roads, street lighting, council offices, police stations, courts, prisons, fire stations, defence equipment, social housing, student accommodation, leisure centres, government offices, waste disposal plants, water and wastewater plants.



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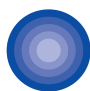

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The **European Services Strategy Unit** is committed to social justice, by the provision of good quality public services by democratically accountable public bodies. The Unit continues the work of the Centre for Public Services, which began in 1973. Research and strategic advice for public bodies, trade unions and community organisations includes analysis of regional/city economies and public sector provision, jobs and employment strategies, impact assessment and the effects of marketisation, privatisation, public private partnerships and transformation.

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Abbreviations

AAM	Aberdeen Asset Management
AR	Annual Report
BBC	British Broadcasting Corporation
BBGI	Bilfinger Berger Global Infrastructure
BEIF	Barclays European Infrastructure Fund
BIIF	Barclays Integrated Infrastructure Fund
BSF	Building Schools for the Future
CETA	Canadian-European Comprehensive Economic and Trade Agreement
CIHL	Consolidated Investment Holdings Limited
Co.	Company
CRS	Common Reporting Standard
CRC	Community Resource Centre
DBFO	Design, Build, Finance and Operate
DIF	Dutch Infrastructure Fund
DLR	Docklands Light Railway
EFSI	European Fund for Strategic Investments
EPEC	European PPP Expertise Centre
ESSU	European Services Strategy Unit
EU	European Union
EIB	European Investment Bank
FTT	Financial Transaction Tax
G20	Group of twenty major economies
GCP	Gravis Capital Partners
HBOS	Halifax Bank of Scotland
HICL	HICL Infrastructure Company Limited
HMP	Her Majesty's Prison
HQ	Headquarters
HSBC	Hongkong and Shanghai Banking Corporation
II2	Infrastructure Investors
IMF	International Monetary Fund
Inc.	Incorporated
INPP	International Public Partnerships
IRR	Internal Rate of Return
JLIF	John Laing Infrastructure Fund
LIFT	Local Improvement Finance Trust
Ltd	Limited
LP	Limited Partnership
LLP	Limited Liability Partnership
LSE	London Stock Exchange
NAO	National Audit Office
NHS	National Health Service
NPD	Non-Profit Distributing
OECD	Organisation for Economic Co-operation & Development
PFI	Private Finance Initiative
PF2	Revised Private Finance model
PLC	Public Listed Company
PC	Primary Care
PPP	Public Private Partnership
REIT	Real Estate Investment Trust
RNS	Regulatory News Service
SMIF	Secondary Market Infrastructure Fund
SPV	Special Purpose Vehicle (usually a company)
TISA	Trade in Services Agreement
TPP	Trans-Pacific Partnership
TTIP	Transatlantic Trade and Investment Partnership
VCT	Venture Capital Trust
UK	United Kingdom
UME	United Medical Enterprises
UPP	University Partnerships Programme
US	United States

Key findings

The sale of equity in PFI/PPP projects to offshore secondary market infrastructure funds continues to increase. Equity in PFI/PPP projects is bought and sold in two ways:

Firstly, shareholders in PFI/PPP companies, such as construction companies, banks and facilities management contractors, decide to sell part or all of their shareholding in one or a bundle of projects.

Secondly, offshore infrastructure funds acquire equity in PFI/PPP projects primarily by the takeover of secondary market infrastructure funds.

- New PFI/PPP secondary market infrastructure funds have accelerated the sale of equity in project companies since 2003 with ownership concentrated in a smaller number of offshore funds.

- There are **nine important reasons why the ownership of PFI/PPP companies is critical** for governments and public bodies, local authorities, service users, community organisations, staff and trade unions (page 12).

The sale of secondary market infrastructure funds and assets

- There have been more sales of equity in PFI/PPP project companies through the sale of secondary market infrastructure funds than there has been through the sale of individual or small bundles of PFI/PPP projects.

- The full or part-sale of 33 secondary market infrastructure funds 2003 - 2016 involved the purchase of equity in 1,151 PFI/PPP project companies (includes multiple transactions in some projects) at a cost of £7.4bn (€8.7bn). The cost excluded six transactions, 115 projects, where costs were not disclosed. Assuming the same average cost per project, **the total cost was £8.1bn (€9.5bn).**

- Offshore infrastructure funds currently have equity in 547 PFI/PPP projects. Allowing for a small degree of duplicate ownership, the total number of projects is estimated to be 500. T**welve offshore infrastructure funds have equity in 74% of the 735 current UK PFI/PPP projects.**

- Furthermore, the offshore funds have a significant influence when they own a majority of the equity in an SPV. **Nine funds own 50%-100% of the equity in 334 PFI/PPP projects or 45.4% of PFI projects in the UK**

- **Education and health projects account for two thirds of PFI/PPP projects in which offshore infrastructure funds have 50%-100% of the project equity.**

Individual and small bundles sales of PFI/PPP equity

- In addition, equity in 980 PFI/PPP project companies (SPVs) has been sold in individual or small bundle transactions since 1998 at a cost of £9bn (€10.6bn) (updated ESSU PFI/PPP Database to be published early 2017).

- The average annual rate of return on the sale of individual/small bundles is **28% (based on 110 transactions involving 277 PFI/PPP projects between 1998-2016)**, a marginal reduction in the 29% average rate for 1998-2012.

- The three-way speculative gain in equity transactions: firstly by the original SPV shareholders, secondly, the rate of return from the sale of secondary market fund assets is assumed to be 12%-25%; thirdly, shareholders of secondary market funds receive annual dividends of 6%-8%. Thus the **total annual rate of return could be between 45%-60% - three to five times the rate of return in PFI/PPP final business cases.**

- The **£877m (€1,031.3m) HM Treasury Offices PFI project is 100%** owned by secondary market funds located in **offshore tax havens** – 75% in Guernsey and 25% in Jersey.

£17.1bn in equity transactions

- The total value of PFI/PPP equity transactions (individual/small bundles and via secondary market infrastructure funds) was £12bn (€14.1bn) in 1998-2012, but had reached **£17.1bn (€20.1bn) by mid 2016, a 42.5% increase in less than four years.**

- The **£17.1bn obtained by speculating in PFI/PPP equity transactions is additional to the profits** made in construction, bank debt and interest rate swaps and provision of facilities management services, plus the plethora of consultants, financial advisers and lawyers. Meanwhile, public sector PFI/PPP contractual commitments for capital repayments, interest and service charges total £232.4bn (€273.3bn), undiscounted, between 2014-15 and 2049-50.

- Value for money assessments never took account of the financial impact of a future sale of equity, even when it was evident that PFI/PPP equity transactions were frequently obtaining super profits for SPV shareholders. This would have made the value for money assessment null and void.

- The PFI/PPP model of public infrastructure is very expensive, exploitative, increases inequalities and deskills the public sector. Claims about achieving 'value for money', 'social value' and 'commissioning for outcomes' are meaningless.

PFI/PPP in Scotland

- **87.5% (280) of Scotland's 320 PFI schools are currently partly or wholly owned by offshore infrastructure funds.**

- Equity in **Edinburgh Schools PPP1 project was sold 13 times between 2003-2014** (Table 10).

- Scotland has a higher ratio of PFI/PPP projects per one million of population – 18.0 compared to the UK average of 12.4.

Tax avoidance

- **The five largest listed offshore infrastructure funds made a total profit of £1.8bn (€2.1bn) in the five-period 2011-2015 but paid ZERO tax.**

- Semperian PPP Investment Partners Holdings Limited is a Jersey registered partnership, not a listed company. Significantly, Aberdeen Asset Management has a 31.3% stake through two subsidiary companies (Aberdeen Sidecar LLP is owned by Aberdeen Infrastructure Finance GP Limited, registered in Guernsey). Transport for London Pension Fund has a 29.1% stake.

- Innisfree Limited is a UK registered private company that has funded 55 PFI/PPP projects in the UK. It is owned by the UK registered Innisfree Group Limited with Coutts & Co Trustees (Jersey) Limited as a shareholder. The Innisfree Group Limited's annual report 2015 gives David Metter, a director of the company and leading advocate of PFI, a 72.2% shareholding. Whilst Innisfree is not an offshore secondary market infrastructure fund, 72.2% of its annual dividends, **£47.4m (€55.7m) in the last decade**, were transferred to the Jersey offshore company.

- The web of secrecy has increased relative to the growth of secondary market fund transactions by both UK and offshore funds.

Wider impacts

- The development of PFI/PPP projects, in particular the Design, Build, Finance and Operate (DBFO) model, combines state and capital interests with a 'corporate welfare'

approach that increases the commodification and financialisation of public infrastructure and ultimately widens the potential for privatisation.

- Inequalities are increased in four ways: financial gains from PFI/PPP equity trading; primarily wealthy investors use nominee companies and invest offshore; professional classes gain from facilitating PFI/PPP equity trading; whereas facilities management companies have a chequered employment track record.

- New guides to *The Statistical Treatment of PPPs in Europe* (Eurostat, EPEC and EIB, 2016) and the World Bank's *Benchmarking PPP Procurement 2017* make no reference to PFI/PPP profiteering from the sale of SPV equity or to offshoring. These organisations are either ignorant of these issues or choose to ignore them. Either way, it demonstrates a biased, self-serving and politically selective approach to statistics and procurement, designed to aid the PPP industry and evade key matters of public interest.

Global sale of secondary market funds

- A sample of the global sale of secondary market funds 2013-2016 provides details of 14 transactions that involved 107 PPP and public infrastructure projects. The sample illustrates the average transaction increased to an average of 7.6 projects in the 3.5 years in 2013-2016, compared to an average of 2 projects in the 15 years to 2012.

Recommendations

New UK controls to restrict offshoring public assets

- Make it illegal to transfer equity ownership of PFI/PPP assets from UK registered companies to offshore infrastructure funds, solely for the purposes of tax avoidance.
- Make it illegal to establish offshore PFI/PPP holding companies of SPV assets such as the Lend Lease Birmingham and Sheffield examples.
- Repatriate equity ownership of PFI/PPP SPV companies to UK registered companies.
- Prevent the flotation on the London Stock Exchange of PFI/PPP infrastructure funds by companies registered in offshore tax havens.
- Amend the standard PFI/PPP contract to restrict the transfer of PFI/PPP assets to registered companies in offshore tax havens.

Improved accountability and transparency

- Establish more rigorous monitoring and contract management arrangements.
- Revise governance arrangements to increase democratic accountability and scrutiny of PFI projects including annual or bi-annual reviews to assess performance, contract management and costs/affordability.
- Public bodies should monitor changes in the ownership of their PFI/PPP projects as an integral part of performance monitoring.
- Each change of equity ownership of PFI/PPP project companies (by SPV shareholders and secondary market funds) must be disclosed with the name of the vendor and purchaser, the date of transfer of ownership, the percentage of shareholding, the cost and the expected profit.
- Companies and Partnerships owning equity in PFI/PPP projects should be required to identify every project and the percentage of equity owned in their annual report.
- Each change of equity ownership of PFI/PP should require the approval of local authorities and such notifications should be required to include the full details of ultimate ownership and place of registration.
- Freedom of Information legislation should be extended to the private sector so it is applicable to private sector and social enterprises engaged in the delivery of public services, infrastructure provision and consultancy services to government, local authorities, the NHS and other public bodies.

Termination of the PFI/PPP programme

- The scale of profiteering evidenced in this report, combined with the detailed criticism of PFI by thinks tanks, trade unions, academics and others, makes a powerful case for termination of the programme. It should be replaced by direct public investment.

Selected buyouts and contract terminations

- Public bodies should develop a strategic approach to the buyout of PFI/PPP projects or the termination of contracts where they are not meeting performance requirements and/or user/community needs are not being met.

The case for the nationalisation of SPVs

- Nationalisation of the local PFI project companies (SPVs) is the most effective way of stopping the trade in PFI/PPP equity and secondary market funds and returning to public ownership.

Increased public investment

- The PFI/PPP programme should be replaced by increased public investment – *"…the average cost of all government borrowing is 3% to 4%, compared with an estimated financing cost of 7% to 8% for all private finance projects"* (NAO, 2015).

Radical public management

- Nationalisation alone is inadequate. A new public investment infrastructure model is required, together with radical public management to rebuild the capability and capacity of the public sector to plan, design, finance and manage schools, hospitals and other public buildings and public services.

Oppose free trade agreements

- The ability to implement the above recommendations is gravely threatened by free trade agreements currently being negotiated, namely the Trade in Services Agreement (TISA), the Transatlantic Trade and Investment Partnership (TTIP), Trans-Pacific Partnership (TPP) and the Canadian-European Comprehensive Economic and Trade Agreement (CETA). Continuing opposition is critically important.

(1 GBP = 1.176 Euro or 1 Euro = 0.85 GBP currency converter is used in Key Findings)

The Key Findings is also available in a separate pdf on the ESSU website:

Part 1
Context

This research report is a detailed analysis of the rapid growth of Offshore PFI/PPP secondary market infrastructure funds that have taken over or merged with smaller funds, so that they now have a dominant position in the ownership of PFI/PPP projects.

Secondary market infrastructure funds are a type of private equity fund owning the equity in a large number of PFI/PPP projects that have been sold by the original SPV equity owners. Each fund has a portfolio of equity stakes in projects in different sectors with a wide UK geographic spread – and in some cases overseas.

The sale of equity via secondary market infrastructure funds has outstripped transactions of individual or small bundles of PFI projects. This demonstrates the increasing power of the offshore secondary market. The ESSU PPP Equity Database tracked transactions 1998-2012 and the *Public Wealth Machine* reported on UK and global trends in project ownership (Whitfield 2012). The Database is currently being updated.

Structure of the report

Part 2 examines the growth of the secondary market infrastructure funds and their acquisition of PFI/PPP equity. It explains why the ownership of PFI/PPP equity is important and concludes with a summary of the equity assets of secondary market infrastructure funds. Appendix B has a database of thirty-three takeovers of secondary market funds 2003-2016.

Part 3 of the report discusses the impact of neoliberalism, accumulation and the state-business partnership that developed to sustain the PFI/PPP model as a classic model of corporate welfare.

Part 4 examines how SPVs are financed, the journey of PFI/PPP finance and the limits of value for money assessments. It summarises data on equity transactions 1998-2016 and concludes with the Edinburgh Schools PPP1 project case study revealing how equity was sold 13 times between 2001-2016. Offshore secondary market infrastructure funds now dominate PFI/PPP equity transactions.

Most secondary market infrastructure funds are listed on the London Stock Exchange, but registered in offshore tax havens. Part 5 examines how the secondary funds raise capital to acquire the equity in PFI/PPP projects and the scale of tax avoidance. It identifies the major shareholders in secondary market funds and how equity in the PFI project for the HM Treasury building in London is 100% owned by offshore funds!

Part 6 describes how democratic accountability and transparency has been systematically eroded. A web of secrecy has been woven to conceal basic details of equity transactions and the sale of secondary market funds. Successive governments have claimed they are private matters between private companies, despite the fact they are trading in public assets ultimately financed by public money.

The penultimate section highlights recent global PPP equity transactions following reported transactions 1998-2012 in Appendix 5 of the *Public Wealth Machine* report.

Finally, Part 7 makes a series of recommendations to address future ownership of PFI/PPP projects, the need for new regulatory regimes and to remove the web of secrecy and make transparency real and effective.

Public infrastructure

'Public infrastructure' consists of the networks, buildings, land and equipment required to sustain and improve the economy and quality of life. It includes the facilities needed for education, health and social care, recreation and culture, public housing and community amenities, the natural habitat, environmental protection, transportation, utilities and communication networks, public safety, democratic and public administration and defence. It

encompasses organisational structures, intellectual knowledge, a trained and skilled workforce and operational systems in addition to buildings.

The Conservative Government introduced the PFI/PPP model in 1992. Successive governments – Labour (1997-2010), Coalition – Conservative and Liberal Democrat (2010-2015), Conservative (2015-) and the Scottish National Party (2007-) have implemented this programme. The slightly amended PF2 model was introduced in late 2012, but it did nothing to address the profiteering and growth of the PFI/PPP secondary market despite widespread criticism. It changed the debt/equity from a 90/10 to 80/20 ratio and encouraged public bodies to become minority shareholders in PFI/PPP projects – basically encouraging public sector bodies to join in the profiteering instead of tackling the core issue.

This report refers to PFI/PPP projects as a generic term that includes PF2 projects since they effectively retain the PFI original model.

Equity ownership can transfer in two ways – a direct transaction when it is sold individually or as part of a small bundle of projects by the construction company, bank/financial institution and facilities management contractor. The second type of transaction occurs when an infrastructure fund sells some of its assets, or acquires another fund, and equity ownership transfers to the purchaser.

A secondary market infrastructure fund is a company or limited partnership, whose main objective is to acquire equity in PFI/PPP projects. Funds are often a primary investor in new PFI/PPP projects.

The ESSU database is currently being updated and a new ESSU Research Report on buyouts, terminations and major problems in PFI/PPP projects will be published shortly. Two academic papers with Stewart Smyth, Sheffield University Management School, have been published: *'PPP equity sales – extending financialisation'* and *'Maintaining market principles: Government auditors, PPP equity sales and hegemony'.*

An hour-long BBC TV Scotland programme television 'Scotland Investigates' broadcast on 22 August 2016 revealed evidence that over 80% of Scotland's PFI schools are partly or wholly owned in offshore tax havens. The programme investigated the cause of the closure of 17 Edinburgh schools for repairs after construction faults were found. Equity in this project had been sold 13 times. http://www.bbc.com/news/uk-scotland-37135611

Part 2
Rapid growth of offshore secondary market infrastructure funds

This section explains equity ownership in SPVs, why equity ownership matters, the different types of infrastructure funds, the flow of PFI money and how secondary market funds operate.

Special purpose companies and PFI/PPP finance

PFI/PPP projects are primarily financed by bank loans and equity (and subordinate debt provided by equity holders) in the project company. The debt/equity ratio was usually 90/10 until 2013, when it changed to an 80/20 split with the introduction of the PF2 model.

A PFI/PPP company pays for construction and hard facilities management (repairs and maintenance, utilities and energy) over the contract period. Soft facilities management services (such as cleaning, catering, grounds maintenance) may be included. The local authority, NHS Trust or government department pays a monthly unitary charge to the PFI/PPP project company, which covers the construction costs, the cost of private finance and the provision of services based on the performance of the contract.

PFI/PPP final business cases and contracts do not make any assumptions or forecasts about the potential change of ownership through the sale of equity in the PFI/PPP project company. The expected rate of return to investors is between 12% and 15% when PFI contracts are signed (National Audit Office, 2012).

PFI/PPP projects usually have two companies – one responsible for delivering the contract plus a holding company that owns the project company and any later projects.

Equity in PFI SPV companies is usually divided between the bank or financial institution, the construction company and the facilities management contractor. PFI SPV companies are private UK registered companies and are liable to pay UK corporate tax. Equity transactions include the sale of subordinate debt and are released from any unfunded capital commitments. PFI/PPP project company shareholders normally agree to offer their co-shareholders the first option to purchase their shares when they want to sell part or all of their shareholding – this a legal requirement in the PF2 contract. If other shareholders do not wish to purchase the shares, the vendor will seek to sell in the secondary market. Competitive tendering is increasingly used to sell PFI/PPP equity.

Public sector bodies are notified of a change in PFI/PPP equity ownership, but this is usually a standard process. There is no evidence that local authorities, NHS trusts or government departments have investigated the suitability of the proposed new shareholder or determined their objective and plans.

Justifying the sale of PFI/PPP equity

PFI/PPP companies and financial advisers justify the sale of project equity rather differently. The risk profile of a project reduces once construction is completed and facilities are operational *"…thereby increasing the value of the original equity investment, making divestment an attractive option"* (Cameron McKenna, undated).

"A sale of equity allows original project sponsors to realise their initial investment and so free up capital for new projects, thus introducing much-needed liquidity into the market and reducing the strain resulting from the lock-up of capital in projects which are in the operational phase" (Semple Fraser, 2006). This view is reinforced by Deloitte (2013), Norton Rose (2010) and Public Infrastructure Bulletin (2005).

Why PFI/PPP project ownership matters

There are nine important reasons why the ownership of PFI/PPP companies is critical for governments and public bodies, local authorities, service users, community organisations, staff and trade unions:

1. Revenue from the sale of equity goes to the parent company that owns the equity, not the SPV. None of the gains flow back to PFI schools and hospitals or to local authorities, NHS Trusts and government departments that ultimately pay for PFI/PPP projects. Nor does the secondary market generate additional value for the economy.

2. Annual profits (or losses) enable the SPV to pay dividends to the equity owners. When they are offshore infrastructure funds, the ultimate beneficiaries are their shareholders.

3. The ownership of equity is critically important because the SPV shareholders have the responsibility for implementing the PFI/PPP contract, project performance and long-term facilities management such as repairs and maintenance, provision of utilities, responding to problems, health and safety, management of sub-contractors and employment policies and practices. They are also responsible for charging policies for internal changes and community use of facilities.

4. Democratic accountability is eroded because the sale of PFI/PPP equity transfers ownership of the SPV from the original contractor, banks and facilities management contractor to secondary market infrastructure funds, most of which are located in offshore tax havens. Funds listed on stock exchanges are ultimately accountable to their shareholders. Unlisted funds are private equity funds or partnerships accountable to their investors. In both cases the chain of accountability is considerably extended and weakened in each link. The sale of equity is not subject to democratic accountability and public bodies have no control over which PFI/PPP assets are sold, when or who acquires them.

5. The more profit that is obtained from PFI project companies the more likely that they will take a harder line in meeting their contractual obligations in the remainder of the project, such as meeting repair and maintenance requirements and carrying out lifecycle replacement. They may also try to increase income of community/third party use of facilities.

6. Sweating the assets could lead to contractual disputes towards the end of PFI contracts if SPV companies fail to meet their contractual obligations to fulfil lifecycle and planned maintenance investment and handover buildings in good condition.

7. The scale of profiteering invalidates the original value for money assessment. Most PFI/PPP projects would not have proceeded had this been taken into account.

8. The secondary market infrastructure funds are unlikely to 'accept' the conclusion of PFI project contracts and for them to cease to be part of the funds assets. They are likely to try to persuade local authorities and NHS Trusts to have a further contract to deal with changes in the use of buildings, additional facilities and/or property management of other public buildings. The shareholders of secondary market funds demand higher annual dividends and the expectation is that this is achieved by growth, not a reduction in assets.

9. As the rate of PFI/PPP equity transactions increases, it accelerates financialisation, so that more public buildings become commodities to be bought and sold. The intrinsic value is not in the hospital or school, but in the profit and dividends that can be extracted. This market makes no reference to the needs of pupils, parents, patients and staff or to public policies or public investment.

> *"Secondary trading in projects will reinforce the power of capital over the rentier state and will have profound implications for services and democratic accountability. Schools and hospitals will be traded like other commodities"* (Whitfield, 2001).

Value creation and value capture

With over £17bn spent trading SPV equity, what is fuelling this scale of profiteering?

Firstly, risk usually accounts for a significant percentage of the PFI/PPP contract (for example risk accounted for 16.5% - 70.6% in six hospital contracts, Shaoul, 2005) and the pricing of risk transfer is usually critical in determining value-for-money and to ensure the PFI option is cheaper than the public sector comparator. Once construction is completed and buildings or networks are operational, the degree of risk is significantly reduced. In a majority of cases the private sector has only had to draw on part of the construction risk as a result of delays and construction problems. Consequently, the value of equity increases. Construction companies frequently re-value their PFI/PPP assets in annual reports and accounts, which normally supports their share price.

Secondly, new schools, hospitals and other public buildings become an integral part of public service provision and meet social needs and are, therefore, highly valued as public goods. The PFI/PPP secondary market recognises this 'additional' value, but because schools and hospitals are considered financial commodities, this is reflected in increased financial value. 'Value creation', 'value capture' and 'value manipulation' are core elements of a business model (Haslam et al, 2015) applicable to the PFI/PPP model, but undertaken by different companies rather than a single business.

Thirdly, competition in the secondary market generated high rates of return in the early transactions leading to an average 29% rate of return 1998-2012. Evidence from the updated ESSU PPP Equity Database to date indicates only a marginal reduction in the average rate of return. Of course, there is no guarantee that this will be sustained as markets rise and fall.

Finally, profit-seeking by the original SPV shareholders contributed to higher prices.

The National Audit Office sanctioned the recycling capital and market liquidity model: *"The development of a secondary market for PFI equity has been helpful to investors who fund PFI deals and may also bring benefits to the public sector.* Furthermore, *the sale of equity can also help future PFI projects where the proceeds are reinvested in other PFI deals. As the supply of PFI equity increases this should drive down the cost of equity and improve the pricing of PFI deals"* (NAO, 2006).

The major construction companies such as John Laing, Balfour Beatty, Interserve, Carillion, Kier, Amey, Lend Lease and Bilfinger have played a leading role in developing and bidding for PFI/PPP projects. The need to recycle investment has been widely used as a justification for the sale of equity in PFI/PPP projects. However, construction companies and banks have been selling, rather than acquiring, PFI/PPP equity stakes.

Three examples illustrate this development. In autumn 2012, Interserve plc sold equity stakes in 19 projects to Dalmore Capital followed by further equity stakes in the same 19 assets to its pension fund early the following year. Interserve had equity in only 6 PFI/PPP projects by the 31 December 2015 (Interserve Annual Report, 2015).

John Laing plc and the John Laing Infrastructure Fund have been involved in the acquisition or sale of PFI/PPP project equity in 73 instances between 2001-2016 (includes multiple transactions in some projects). The primary focus was the acquisition of assets by the JLIF from John Laing plc. By mid 2016 the latter had fewer than ten UK PFI/PPP project investments, but had increased the number of overseas projects (John Laing plc Annual Report 2015 and ESSU Database).

Balfour Beatty plc was involved in 30 instances of the sale/purchase of equity in PFI/PPP project companies between 2003-2016, initially purchasing assets, but primarily selling project equity after 2006. By March 2016 it had significantly fewer PFI/PPP assets with three healthcare, seven education and thirteen highways projects.

Other construction companies such Carillion plc, Kier Group plc, Amey plc, Lend Lease and Bilfinger have also significantly reduced direct ownership of PFI/PPP project companies through a collective total of 120 transactions. Infrastructure funds occasionally sell PFI project

equity if they determine there is no realistic scope of increasing its stake in the project; it may perceive secondary market conditions may deteriorate and hence decide to sell.

Several construction companies have transferred PFI equity to their pension fund in lieu of a cash contribution (Interserve, Costain, John Laing, Kier, Amec and Vinci).

In addition, PFI/PPP shareholdings owned by banks, such as Barclays and Lloyds, have been sold to listed infrastructure and private equity companies' 3i and Aberdeen Asset Management respectively.

There is no evidence that public sector costs of PFI projects have been reduced by the sale of equity and any change in market liquidity is more likely to have been as a result of super profit gains rather than the number of transactions.

The secondary market reflects the short-termism of construction companies and financial institutions, which was not evident in the hype when PFI was launched in 1992. Once Serco Group completed the first equity transaction in 1998, they accelerated after 2003 so that by the end of 2005 there had been 110 transactions costing £1.6bn involving 212 PFI projects. The ESSU PPP Equity Database identified 57 PPP projects where profit data was available, which revealed an average annual rate of return of 44.5% (Whitfield, 2012). Yet the National Audit Office report on the secondary market the same year consisted of bland statements supporting the sale of PFI equity and the secondary market and revealed nothing about the super profits in the early transactions (NAO, 2012).

Public money but private control

The HM Treasury considers the sale of PFI/PPP equity to be a transaction solely between two private companies in which the government has no involvement. It claims that a change in the equity ownership of the project is part of the normal takeover or merger of companies and is different from refinancing projects. The National Audit Office (NAO) position is summarised in their evidence to the House of Lords investigation into PPP projects and off-balance sheet finance:

> *"In general, the shareholders of a project company are allowed to trade their PFI shares freely, as they would any normal shares of a limited company. Only occasionally would a public authority have a say in such trades, such as a right to consent (not unreasonably withheld) in certain Defence contracts. The public authority is not a party to such trades and does not share in any proceeds. It is therefore important that the expected return to the shareholders over the course of the whole contract be carefully scrutinised during the contract tendering"* (House of Lords, 2010).

The latter part of this statement is unrealistic because it was impossible for projects that reached financial close before 2003 to take account of the secondary market because it only effectively emerged after that date. In addition, it is virtually impossible to predict which projects may be engaged in future equity market transactions over the course of a 25-40 year contract.

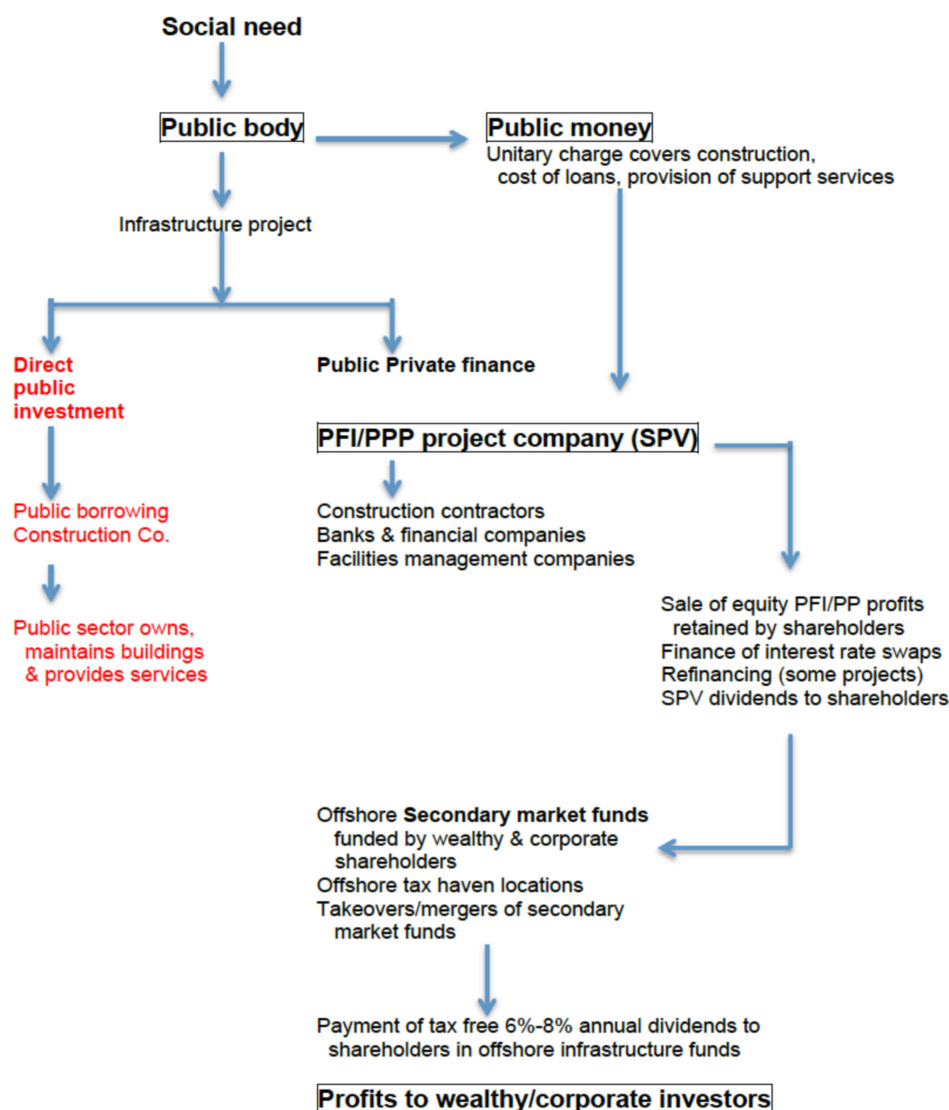
The journey of PFI finance

The flow of public money is illustrated in Figure 1, which commences with a decision, by a public body or government department to use direct public investment or to choose the PFI/PPP option. The latter leads to a PFI/PPP company, private finance, the sale of equity and the growth of a secondary market with the emergence of new infrastructure funds.

Depending on the level of profitability, SPV companies pay annual dividends to their shareholders. This leads to an increasing flow of dividend payments to offshore infrastructure funds as they acquire SPV equity.

The ultimate beneficiaries of this process are the corporate and wealthy individual shareholders of secondary market infrastructure funds. None of the increased value of neither PFI/PPP assets nor the profits are returned, or even shared with the public sector, which is ultimately the funder.

Figure 1: **The Journey of PFI/PPP finance**



Types of infrastructure funds

There are three types of infrastructure funds, which are further distinguished by their structure.

Firstly, infrastructure funds that specialise in PFI/PPP projects both in primary investment in new projects and in acquiring project equity in the secondary market. These funds are divided into two categories – listed funds that are listed on the London Stock Exchange (LSE) and raise capital by issuing additional shares on the LSE; and unlisted funds; private partnership funds that raise capital from their partners and other institutional investors. The origins of secondary market funds are discussed in PPP Wealth Machine p15-16 (Whitfield, 2012).

Secondly, private equity infrastructure funds that are either part of global private equity companies that have other divisions such as property, energy, and private equity – companies in a variety of sectors which are acquired to 'turn-around', sell and profit (Hall, 2006), or they are subsidiaries of banks. Some are listed companies such as 3i, Aberdeen Asset Management and Tetragon, but others are private companies that raise capital through equity funds (Table 1).

Thirdly, listed companies involved in Local Improvement Finance Trust (LIFT) projects, a PPP programme to develop the UK primary healthcare infrastructure. Some secondary market infrastructure funds have acquired equity in LIFT projects, but most companies that have traded LIFT equity are primary health/housing/social care companies and property companies (often Real Estate Investment Trusts (REITs) that provide tax benefits if 90% of a REIT's taxable income is distributed in annual dividends to shareholders). These companies have

also been involved in building and acquiring portfolios of privately developed surgeries and medical centres.

Table 1: **Types and examples of private equity infrastructure funds**

PFI/PPP Infrastructure funds: predominately secondary, plus primary investment	
Listed funds	**Unlisted funds**
HICL Infrastructure Company Ltd John Laing Infrastructure Fund Ltd BBGI SICAV S.A. International Public Partnerships Limited	Semperian PPP Investment Partners Holdings Ltd Dalmore Capital Partners
Private Equity Infrastructure Funds: usually operate globally, invest in larger projects and have primary and secondary investments	
Private equity companies or limited partnerships	**Subsidiaries of banks**
3i Group plc Aberdeen Asset Management Tetragon Financial Group Brookfield Asset Management Global Infrastructure Partners Blackstone Group	Goldman Sachs Infrastructure Partners Morgan Stanley Infrastructure Partners UBS Infrastructure Fund Deutsche Global Infrastructure Fund Macquarie Infrastructure funds
LIFT company consortia: range from secondary market infrastructure funds, primary health/housing/social care companies and property companies (Real Estate Investment Trusts – REITs)	
Ashley House plc, Fulcrum Infrastructure (Meridiam)	Assura Group Ltd

Listed and unlisted funds

Listed funds are traded on stock exchanges, usually London, following a public flotation of shares. They usually have some shareholders with more than a 5% shareholding, but most shareholders have relatively small stakes.

Secondary market infrastructure funds listed on the London Stock Exchange are launched via an initial share offer to potential investors. For example, HSBC bank launched the HICL Infrastructure Fund with a £250m share offer in 2006, which subsequently raised a further £949.4m in twelve further share offers up to mid 2016 to fund the continued acquisition of PFI/PPP assets and excluded numerous small share offers to raise capital for the running of the fund (HICL Regulatory News).

The John Laing Infrastructure Fund (JLIF) was launched in November 2010 with a £290m share listing followed by a £27.4m new share placement in April 2011 and a £130.7m issue of new shares in October 2011. Further issues of new shares have raised additional capital.

Two years later the Bilfinger Berger Global Infrastructure (BBGI) was listed on the London Stock Exchange by the Bilfinger Group, Germany, raising €270.0m with a capital gain of €50.0m (Bilfinger Berger Global Infrastructure, RNS 15/11/2013).

Unlisted funds are usually limited partnerships that do not trade on the stock exchange. They are, in effect, private equity funds with corporate and wealthy investors that invest in PFI/PPP projects. Semperian PPP Investment Partners Holdings Limited and Innisfree Limited (see page 36) are examples of unlisted funds.

The PFI/PPP secondary market has expanded through increased investment, the continued sale of PFI equity stakes and the establishment of new secondary market funds because infrastructure assets are regarded as:

- "*attractive returns*
- *low sensitivity to swings in the economy and markets*
- *low correlation of returns with other asset classes*

- *long-term, stable and predictable cash flows*
- *good inflation hedge*
- *low default rates*" (Investec, 2012)

How secondary market funds operate

The secondary market in PFI assets has certain unique characteristics. The asset has a limited life dictated by the contract period, usually 25-30 years. The contract usually includes a requirement to deliver hard facilities management services such as repairs and maintenance, provision of utilities and frequently soft facilities management services, such as cleaning, catering and grounds maintenance.

Secondary market infrastructure funds raise capital from their existing or new shareholders to acquire additional assets. They issue a share prospectus, often annually, which sets out the amount of capital required and the assets which it intends to acquire, particularly secondary funds that derived from PFI/PPP construction or finance companies such as John Laing Infrastructure fund and HICL infrastructure. Secondary market infrastructure funds may sell equity in PFI/PPP projects if they decide to focus on different sectors, if they conclude that the asset will not deliver adequate long-term profits and/or they determine that are unable to increase their stake to obtain majority or full control.

Secondary market infrastructure fund finance has several key elements.

Firstly, private equity in public infrastructure replaces public finance of public infrastructure. This increased the role of financial advisers and lawyers in undertaking due diligence, valuation of assets and the role of consultants in preparing outline and full business cases and the procurement process, particularly evaluation and justifying 'value for money'. This is on a significantly larger scale than if the project had been financed through public investment.

Secondly, the trading of PFI equity in the expanding secondary market and frequent transfer to offshore infrastructure funds for tax reasons.

Thirdly, the sale of secondary market funds with large bundles of PFI equity holdings traded since 2003 has grown into a key section of the secondary market.

> *"The Investment Adviser generated significant value through the sale of the Company's holdings in Alma Mater, I2 and Alpha Schools at material uplifts over cost in 2008, 2009 and 2013 respectively, generating an aggregate IRR of 30%"* (3i Infrastructure Fund, 2015).

Fourthly, PFI equity holders sought interest rate to try to reduce their risk of interest rises, which turned into another source of fees for banks and financial institutions (Hildyard, 2016). Swaps protect against increased interest rates, but they penalise the purchaser of swaps if interest rates fall, as they did since the financial crisis in 2008. Swaps include termination penalties when a purchaser seeks to terminate them and gain the benefit of much lower interest rates that have prevailed for many years.

Fifthly, refinancing of PFI/PPP projects may occur once construction has been completed and buildings are operational and risks have been significantly reduced. Financial gains from refinancing have to be shared with the public sector, but no such legal obligation applies to the sale of SPV equity. Refinancing provides another source of financial and legal fees.

Some SPV companies have imposed new or increased charges contracts for community use of facilities in addition to often-punitive charges for changing the use of rooms, moving furniture, providing more electrical power points for increased computer use, where it exceeds the specification.

This analysis excludes the trading of PFI project companies between subsidiary companies of the same parent company. The extent of this internal trading of PFI companies is difficult to quantify because of the veil of secrecy.

The UK Coalition and Conservative governments sought to renegotiate PFI contracts to obtain savings at the peak of the austerity programme, but equity owners were very reluctant, and relatively small changes were achieved.

A degree of secondary trading is present in most markets to allow equity owners to sell an investment for financial and/or operational reasons. This is facilitated by having relatively low transaction costs, a degree of competition to achieve a fair price and to provide legal legitimacy to changes in ownership through the transaction process.

Except for the initial post construction-early operational stage when construction risk is significantly reduced and SPV equity will have increased in value, there is no further stage of the contract that could increase the value of the equity. Therefore, the increased value of equity demonstrated in secondary market transactions has been obtained primarily through a financial model of accounting and tax avoidance measures designed to maximise profits.

Timeline

Key events in the growth of the secondary market are summarised in Table 2.

Table 2: **Timeline of key developments**

Year	Key developments
1995	Innisfree Limited established
2001	Secondary Market Infrastructure Fund (SMIF) formed
2003	SMIF sold to Star Capital partners, Banks of Scotland and AMP Capital Investors
2006	HICL Infrastructure Fund listed on London Stock Exchange
2007	SMIF sold to Land Securities Group Limited
2007	First acquisitions by Equitix Ltd
2008	Land Securities establishes Trillium Investment Partners retaining 10% equity
2009	Telereal acquires Land Securities’ Trillium stake & sells it to Semperian Investment Partners
2009	Liquidation of Babcock Brown Public Partnerships – assets sold to INPP
2009	Dalmore Capital founded
2010	John Laing Infrastructure Fund listed on London Stock Exchange
2011	Bilfinger Berger Global Infrastructure Fund listed on London Stock Exchange
2013	Barclays Bank sells infrastructure funds to 3i
2014	Scottish Widows Investment (Lloyds bank) sold to Aberdeen Asset Management
2015	Tetragon Financial Group acquires Equitix Holdings

Source: Table 18.

Part 3
Takeovers of secondary market infrastructure funds

This section identifies the funds engaged in the sale and acquisition of secondary market infrastructure funds 2003-2016. It highlights the high concentration of offshore ownership of PFI/PPP schools in Scotland and how equity in the Edinburgh PPP1 project was sold thirteen times between 2003-2014.

3i Group consolidates

Details of 33 takeovers of secondary market infrastructure funds since 2003, involving the purchase of equity in 1,151 PFI/PPP project companies at a cost of £7.4bn, are provided in Table 17 (Appendix B).

3i Infrastructure plc significantly increased its role in the PFI/PPP secondary market with the acquisition of Barclays Bank infrastructure funds and joint ventures with Elgin Infrastructure Fund and Dalmore Capital Fund. The Barclay Bank assets totalled 331 investments of £17bn by six funds (Table 3). Project details were not disclosed, but 3i currently had an estimated 100 PFI/PPP assets in the UK after the acquisitions.

Table 3: **Barclays infrastructure funds acquired by 3i Group plc**

Fund	Description	Vintage	Number of investments	Total committed
BII (1)	Buy and hold yield-based fund focusing on equity/subordinated debt investments in PPP and other infrastructure	2008	96	£680m
BEIF II (2)	Capital growth fund focusing on Primary and Secondary PPP	2006	50	£280m
Alma Mater Fund	Capital growth fund focusing on student accommodation projects	2003	11	£81m
Infrastructure Investors (“I2”)	Capital growth fund focusing on Secondary PPP	2003	85	£450m
Barclays European Infrastructure Fund	Capital growth fund focusing on Primary PPP	2001	68	£178m
Barclays UK Infrastructure Fund	Capital growth fund focusing on Primary PPP	1998	21	£73m

Source: 3i Group plc
Notes: 1. Formerly Barclays Integrated Infrastructure Fund: 2. Formerly Barclays European Infrastructure Fund II

3i Infrastructure plc has a secondary market fund strategy:

- *“strategies for investment in the asset base to support profitable growth over the long term;*
- *continued improvements in operational performance;*
- *disciplined cash management to drive yield for shareholders;*
- *efficient capital structures to optimise funding costs and financial risk; and*
- *growth through acquisitions if suitable opportunities arise.*

We will sell investments from time to time where this generates significant additional value for shareholders” (3i Infrastructure plc Annual Report, 2015).

Other significant transactions of secondary market funds included the Tetragon Financial Group Limited acquisition of Equitix Holdings Cabot Square Capital LP in February 2015, which is registered in Guernsey and traded on the Euronext Amsterdam exchange. A year earlier, Aberdeen Asset Management acquire Scottish Widows Investment Partnership from Lloyds Banking Group.

Scale of offshoring

Twelve offshore infrastructure funds have equity ownership in 547 PFI/PPP projects in the UK by mid-2016 (Table 4). Taking account that some projects have equity owned by more than one offshore fund, the total number of projects is estimated to be 500. Therefore, **twelve offshore funds have equity in 74% of the 735 current UK PFI/PPP projects.**

Furthermore, the offshore funds have a significant influence when they own a majority of the equity in an SPV. N**ine funds own 50%-100% of the equity in 334 PFI/PPP projects or 45.4% of PFI projects in the UK** (Appendix A, Table 17)**.**

Table 4: **PFI/PPP Infrastructure funds located in tax havens** (September 2016)

Company	Registration in Tax haven	No. of UK PPP assets	No. of PPP in Scotland (included in UK total)	No. of PPP in other countries	Notes
Semperian PPP Investment Partners Holdings Limited (Unlisted fund)	Jersey	**86**	4	1	Previously Land Securities Trillium and the Secondary Market Infrastructure Fund
HICL Infrastructure Company Limited (Listed: London)	Guernsey	**91**	10	12	Launched by HSBC Bank, which is no longer a significant shareholder.
Tetragon Financial Group Limited (Listed: NYSE Euronext, Amsterdam)	Guernsey	**81**	5	2	Equitix Holdings. Excludes 10 energy projects.
3i Infrastructure plc (3i Group owns 34.1%) (Listed: London)	Jersey	**65**	19	5	Includes primary investment in 5 PPP projects in Scotland, Netherlands and France, plus large infrastructure projects.
International Public Partnerships Limited (INPP) (Listed: London)	Guernsey	**60**	2	17	Excludes transport and energy transmission projects. (formerly Babcock Brown Public Partnerships Ltd 2006-09)
John Laing Infrastructure Fund Limited (JLIF) (Listed: London)	Guernsey	**52**	5	7	John Laing Group (Henderson Global Investors) reduced its 18.2% shareholding in JLIF to under 3% by 2014.
Aberdeen Asset Management (Listed: London) Aberdeen Infrastructure Partners LP (registered in Guernsey)	Guernsey	**48**	3	0	Previously Uberior Infrastructure Investments & Bank of Scotland Infrastructure Investments, acquired by Aberdeen Asset Management from Lloyds Bank in 2013.
BBGI SICAV S.A. (Listed: London)	Luxembourg	**22**	3	15	Previously Bilfinger Berger Global Infrastructure but Bilfinger SE sold its stake in BBGI in 2013.
Lend Lease PFI/PPP Infrastructure CIHL Holdings Limited (Unlisted subsidiary)	Jersey	**19**	0	0	Ultimate parent undertaking: Lend Lease Corporation Limited, Australia
GCP Infrastructure Investments Limited (Gravis Capital Partners LLP, advisers) (Listed: London)	Jersey	**14**	2	0	Investments in Grosvenor PFI Holdings Limited, Civic PFI Holdings Ltd and Cardale Infrastructure Investments Ltd (3)
United Medical Enterprises Group Limited BC343764 (registered in British Virgin Islands)	British Virgin Islands	**5**	1	0	UME Group Limited Liability Partnership (Unlisted fund registered UK
Meridiam Infrastructure Finance s.a.r.l	Luxembourg	**4**	0	41	Fulcrum Infrastructure Group Limited equity in LIFT projects
Total		**547**	**54**	**100**	

Source: ESSU Global PPP Equity Database 2016 (forthcoming), Annual Reports, RNS & infrastructure fund websites, June 2016.
Note: The total number of projects includes a small number with equity ownership by more than one fund.

Equity in 979 PFI/PPP project companies has been sold between 1998 and mid 2016 in individual and small bundles. Equity in a further 1,151 projects has been sold as a result of the sale of secondary market infrastructure funds.

There are currently about 735 PFI/PPP projects in the UK (HM Treasury, 2015 and Scottish Government 2016 data). A further 100 projects have concluded, or been subject of a buyout or termination giving a total of 835 projects.

If the sale of equity in 979 projects in individual or small bundles cited in the ESSU database is combined with the sale of equity in secondary market fund takeovers that involved 1,151 PFI

projects, there have been 2,130 PFI equity transactions (Table 5). On average, **equity in every PFI project has been sold 2.5 times.** In practice, equity in some projects has not yet been sold, **but this means that some projects have been sold more frequently** (see the Edinburgh schools case study below)**.**

Table 5: **Total equity sales in PFI/PPP project companies 2000-2016**

Year	**Sale of equity in PFI/PPP project companies in ESSU database** (including amendments to 2012 edition		**Sale of equity in PFI/PPP project companies as a result of the sale of secondary market infrastructure funds** (see Table 18)		**Combined Total of the two types of equity sales**	
	Number of PFI projects	**Cost of equity transactions £m**	**Number of PFI projects**	**Cost of equity transactions £m**	**Number of PFI projects**	**Cost of equity transactions £m**
2000	7	n/a	0	0	**7**	**n/a**
2001	26	205.4	0	0	**26**	**205.4**
2002	3	n/a	0	0	**3**	**n/a**
2003	31	286.0	23	123.8	**54**	**409.8**
2004	94	372.3	0	n/a	**94**	**372.3**
2005	55	756.4	31	150.0	**86**	**906.4**
2006	112	1,234.3	10	20.0	**122**	**1,254.3**
2007	66	594.9	113	1,084.7	**179**	**1,679.9**
2008	47	252.2	154	1,083.0	**201**	**1,335.2**
2009	66	514.6	388	1,580.9	**454**	**2,095.5**
2010	80	790.2	0	0	**80**	**790.2**
2011	110	440.4	26	143.4	**136**	**583.8**
2012	**98	**1,210.3	26	1,437.8	**124**	**2,648.1**
2013	**84	**560.6	131	933.0	**215**	**1,493.6**
2014	**67	**1,176.6	39	629.0	**106**	**1,805.6**
2015	**24	**487.6	76	160.4	**100**	**648.0**
2016	***9	**112.8	**19	**18.4	****28**	****131.2**
Sub total	****979**	****8,994.6**	***1,036**	***7,364.4**	***2,015**	***16,359.0**
			*****115**	*****736.0**	*****115**	*****736.0**
Total	****979**	****8.994.6**	**1,151**	**8,100.4**	**2,130**	**17,095.0**

Sources: Table 4, PPP Wealth Machine, 2012; * excludes 6 transactions involving 115 PFI/PPP projects where the cost was not disclosed. Includes sales of equity in some projects. ** Draft data for these years. *** estimate based on average cost of £6.4m per project in the sale of equity in 1,036 projects. See also Table 18.

The rate of return reported in the ESSU PPP Database concerning PFI/PPP equity transactions is calculated from corporate data. It is not based on business or academic forecasts. The rate of return data is based on 'valuation on commitment', which treats the whole commitment as if it was invested when a PPP is signed and a special purpose company begins operation (NAO, 2012). It assumes that the entire committed investment is at risk from the time the company begins operating. This is a widely used method and is used in this study. The 'valuation on commitment' underestimates the rate of return by 5% - 7% (NAO, 2012). The rate of return figures in this report understates the real level of profit and return. The rate of return is obtained with the equation: (return – capital) divided by capital x 100% divided by the number of years between the date of financial close and the sale of equity.

Equity owners in PFI/PPP projects often make additional loans to the SPV company, termed subordinate debt, which are supplemental to the main loans made by financial institutions. The subordinate debt is usually sold as part of equity transactions, but the lack of data means that is not possible to identify the effect of this debt on the rate of return.

Draft analysis of 110 transactions in the ESSU PPP Equity Database includes 277 PFI/PPP projects between 1998-2016, which had an average 28% rate of return, a marginal reduction from the 29% rate of return 1998-2012.

There is scant information about the profits gained in the sale of secondary market infrastructure funds with data available from two out of 33 transactions. The Lend Lease and Assura transactions in 2016 and 2014 resulted in 24.5% and 46.9% profits respectively, but a rate of return could not be calculated because of the lack of data.

The three-way profit gain equity transactions: Firstly, the average 28% rate of return from the sale of equity by the original SPV shareholders, Secondly, the rate of return from the sale of secondary market fund assets is assumed to be 12%-25%. Thirdly, shareholders of secondary market funds receive annual dividends of 6%-8%. Thus the **total annual rate of return could be between 45%-60% - three to five times the rate of return in PFI/PPP final business cases.**

Types of acquisitions

Nine secondary market infrastructure fund transactions (the sale of six secondary market infrastructure funds and three bank-owned infrastructure funds) accounted for 75% of the cost of fund transactions 2003-2016 (Table 6).

Private equity firms acquired the largest number of infrastructure funds (5) and the largest number of PFI/PPP projects (217). Although bank-owned infrastructure funds acquired other smaller funds until 2009, this process later reversed when banks sold their infrastructure funds after the financial crisis. New banking regulations required banks to be more resilient to financial shocks, improve risk management, governance and transparency (Tables 6 and 7).

Table 6: **Sale of secondary market infrastructure funds**

Types of secondary market fund transactions	No of projects	Total cost (£m)
Entire infrastructure funds Equitix Secondary Market Infrastructure Fund/Trillium (4) PFI Infrastructure Company University Partnerships Investors in the Community Noble PFI Fund	*540	*3,824.4
Bank-owned Infrastructure funds Barclays Integrated Infrastructure Fund and other funds Halifax Bank of Scotland Scottish Widows (Lloyds)	189	1,667.1
Construction Company Robertson Capital Projects/Elgin Infrastructure	21	73.0
Flotation of infrastructure subsidiary 3i Infrastructure	86	60.8
Receivership Babcock Brown	50	n/a
21 other takeovers	265	2,474.7
Total	**1,151**	**8,100.0**

Source: Appendix B, Table 10; * includes multiple transactions of some projects

Table 7: **Purchasers of secondary market infrastructure funds**

Category of acquiring company	No of transactions	No of projects	Total cost (£m)
Private equity firm	2	165	*975.4
Pension fund	4	217	1,905.1
Listed offshore infrastructure fund	3	40	*288.8
Bank infrastructure fund	5	197	*1,667.1
Property company	4	297	1,887.4
Financial investment company	1	76	160.4
Other infrastructure funds	14	159	**1,215.8
Total	**33**	**1,151**	**8,100.0**

Source: Appendix B, Table 10; * one takeover cost not disclosed; ** two takeover costs not disclosed

Sector analysis

Two thirds of the projects that have 50%-100% of their equity owned by offshore infrastructure funds are education and health projects (Table 17). Education and health projects account for 67% of PFI/PPP projects in which offshore infrastructure funds have 50%-100% of the project equity (Table 8). They account for 41% of all current PFI projects (HM Treasury, 2016). Differences emerge in the other sectors, for example only Tetragon and JLIF have significant

equity in street lighting contracts, JLIF dominate in social housing projects, and three funds – HICL, 3i and INPP - have significant equity in criminal justice projects.

Table 8: **Sector analysis of offshore equity ownership**

Sector	No of projects	Sector	No of projects
Health	116	Other accommodation	10
Education	108	Leisure	9
Criminal justice	33	Fire & Rescue	7
Street lighting	18	Libraries	5
Roads	14	Defence	3
Social housing	10	Water	1
Total 334			

Source: Table 17 in Appendix A

Two funds, GCP and INPP, have 100% and 84% of their equity holdings respectively with one hundred per cent equity ownership. Of the other funds JLIF has 65% in this category, Semperian 55%, 3i 53%, BBGI 47%, HICL 39% and Tetragon with 38%. Table 8 also illustrates that the sale of equity is spread across virtually all types of public buildings.

There is a wide variation in the average cost of each PFI/PPP equity, because different percentages of equity were sold, some involved joint ventures, projects had been operating for a varied length of time and transactions ranged from the part sale of an infrastructure funds PFI/PPP assets to the takeover of the entire fund, which in some cases included staff. The 'maturity' or stage of development of the secondary market might be another factor.

Cost comparisons are also difficult because of the lack of financial disclosure resulting in gaps in Table 17. However, a comparison of three reasonably comparable transactions revealed a 114% increase in the average price between 2003 and 2013 (Table 9).

Table 9: **Average cost of PFI/PPP equity**

Year	Vendor	Sold to	No. of projects	Price (£m)	Average cost per project
2013	Investors in the Community	John Laing Infrastructure Fund	11	123	11.18
2007	PFI infrastructure Company	Infrastructure Investors LP	22	156	7.09
2003	Babcock Brown Ltd	Star Capital Partners, Banks of Scotland & AMP Capital Investments	23	120	5.22

Source: Table 17.

Transaction costs

The 455 SPV transactions, involving nearly a thousand PFI/PPP projects and 33 secondary market fund transactions 2000-2016, incur fees for buying and selling equity, such as due diligence, financial advisers, lawyers and fees to SPV management companies. There is little information publicly available on the scale of transaction costs and whether they are included or excluded from RNS and Annual Report statements. Assuming a modest 2% fee for each of the 455 transactions (2% of £8,994m) and an average 3% fee for the 33 larger secondary market transactions (3% of £7,945m) this gives a total of £420m. It is another source for the extraction of profit from PFI/PPP projects.

Edinburgh schools case study

Equity in the Edinburgh Schools PPP1 project (17 schools closed for several weeks in 2016 due to construction faults) has been sold 13 times between 2003 and 2014. Five transactions (shaded in Table 10) led to the sale of equity when a secondary market fund was sold to another fund or a bundle of PFI equity was sold that included the Edinburgh PPP1 project.

Table 10: **Edinburgh PPP1 schools sold 13 times**

Sale No.	Year	Vendor	Purchaser	% equity sold	Price
	2001	**Original shareholders**: Amey Ventures, Miller Construction, Quayle Munro PFI Fund and Uberior Infrastructure Investments (Bank of Scotland)			
1	2003	Amey plc	John Laing plc	30.0	n/a (1)
2	2004	Quayle Munro Holdings PFI Fund	PFI Infrastructure Company	10.0	n/a (2)
3	2005	Existing shareholders	John Laing plc	11.4	n/a (3)
4	2005	Miller Group	Secondary Market Infrastructure Fund	30.0	n/a (4)
5	2006	n/a	PFI Infrastructure Company	7.1	1.6
6	2006	John Laing plc (Henderson Global Investors)	Secondary Market Infrastructure Fund	14.2	n/a (5)
7	2007	*Star Capital sells Secondary Market Infrastructure Fund (renamed Trillium) with shareholding 100 PFI projects*	*Land Securities*	*n/a*	**927.0*
8	2007	*PFI Infrastructure Company plc sells shareholdings in 22 PFI projects*	*Barclays Bank, Societe Generale and 3i plc joint venture*	*n/a*	**156.0*
9	2008	*Bank of Scotland sells 49.9% shareholding in 47 projects*	*4 UK pension funds*	n/a	**217.1*
10	2009	John Laing plc	John Laing plc Pension Fund	10.0	5.9
11	2009	*Land Securities sells Trillium (Shareholdings in 108 PFI projects*	*Telereal (name changed to Semperian PPP investment Partnership (Jersey)*	n/a	**750.0*
12	2011	John Laing plc and John Laing Pension Trust Ltd	John Laing Infrastructure Fund (Guernsey)	20.0	n/a (6)
13	2014	*Lloyds Banks sells Scottish Widows with 32 PFI projects*	*Aberdeen Asset Management plc (Edinburgh project equity owned by Aberdeen Infrastructure (No.3) Ltd registered in Guernsey)*	n/a	**606.6*
	2016		**Shareholders in 2016: All offshore** Semperian PPP Investment Partners (Jersey) 32.9% Aberdeen Infrastructure (No.3) Ltd (Guernsey) 30% John Laing Infrastructure Fund (Guernsey) 20% 3i Infrastructure plc (Jersey) 17.1%		

Sources: ESSU PPP Equity Database 2012 & 2016, Companies House searches, infrastructure fund websites, September 2016.

Notes * Total price paid for all PFI projects. (1) Part of a bundle of 8 projects with 45.2% average annual rate of return (2) Part of a bundle of 10 projects with 39.2% average annual rate of return (3) no details available (4) Part of a bundle of 3 projects but no details available (5) Part of a bundle of 2 projects with 5.8% average annual rate of return (6) Part of a bundle of 2 projects, but no details available.

Scottish PFI/PPP schools fully or partly owned offshore

Analysis of equity ownership in Scotland's PFI/PPP education projects reveals that **87.5% (280) of the 320 schools are currently partly or wholly owned by offshore infrastructure funds** (Table 11)**.** Equity in nearly half the schools is 100% owned offshore. Equity is concentrated in four infrastructure funds - 3i Infrastructure plc has equity in 87 schools followed by JLIF with 65, HICL with 59 and Tetragon with 37.

The remaining 40 PFI schools are divided into 28 operational projects and 12 schools under construction. Equity in the Balfron and East Renfrewshire PPP1 projects (4 schools) is 100% owned by funds managed by Lyceum Capital Partners LLP, a private equity and venture capital partnership. Five other operational PFI projects - Dumfries & Galloway, East Renfrewshire PPP2, Fife Schools PPP1, Midlothian PPP1 and West Dunbartonshire – provide 24 schools. In addition, a further 12 projects to provide 12 schools are under construction (Scottish Government, 2016).

Table 11: **Number of Scottish PFI/PPP schools fully or partially owned offshore**

PFI/PPP projects and percentage ownership (%)	Owner	No. of schools			
		Primary	Secondary	Special	College
Aberdeen City Schools (100)	GCP	7	2		
Aberdeenshire Schools PPP1 (100)	3i	2	2		
Aberdeenshire Schools PPP2 (70)	3i	5	1		
Angus Schools (100)	3i	6	1		
Argyll & Bute Schools (100)	3i		28		
Ayr Academy (56)	Tetragon		1		
Ayrshire College, Kilmarnock (100)	3i				1
Clackmannanshire Schools (100)	BBGI		3		
Dumfries & Galloway (36)	Tetragon	1	1		
Dundee Schools (100)	3i	6	2		
East Ayrshire Schools (45)	3i		4		
East Dunbartonshire Schools (50)	Semperian		6		
East Lothian Schools (90)	3i		6		
Edinburgh Schools PPP1 (20) & (30)	JLIF & AAM	10	5	2	
Edinburgh Schools PPP2 (100)	HICL	2	6		
Falkirk Schools PPP1 (100)	Semperian		5		
Falkirk NPD Schools (29.3)	HICL		4		
Fife Schools PPP2 (30) & (30)	HICL & AAM	9		1	
Glasgow Schools (20)	JLIF		29		
Highland Schools PPP1 (100)	GCP	2	2		
Highland Schools PPP2 (100)	HICL	6	4	1	
Inverclyde Schools (85)	Tetragon	2	2		
Inverness College (50)	Tetragon				1
Midlothian Schools PPP2 (100)	3i	8			
Moray Schools (100)	INPP	1	1		
North Ayrshire Schools (30)	3i		4		
North Lanarkshire (50)	Tetragon	21	3		
North Lanarkshire – Greenfaulds (42)	Tetragon		1		
Perth & Kinross Schools (100)	HICL	5	4		
Renfrewshire Schools (30) & (35)	HICL & AAM	6	4		
Scottish Borders Schools (100)	BBGI		3		
South Ayrshire Schools (100)	HICL	3	2		
South Lanarkshire Schools (15) & (42.5)	JLIF & Semperian		19		
Stirling Schools (50)	3i		5		
West Lothian Schools PPP1 (100)	3i	3	3		
West Lothian Schools (75)	HICL		2		
William McIlvanney Campus, East Ayrshire (56)	Tetragon	2	2		
Total 37 projects		**107**	**167**	**4**	**2**
Total schools			**280 schools**		

Source: ESSU PPP Equity Database 2012 & 2016 draft, Companies House searches, infrastructure fund websites, September 2016.

Flawed value for money

Defenders of PFI/PPP claim that value for money assessments in the planning stage of projects showed conclusively that this approach was the most cost effective, for example, more recently by Andrew Kerr, chief executive of Edinburgh City Council defending the Edinburgh Schools PPP1 contract (BBC Scotland, 2016). But such claims are flawed, because most value for money assessments were concocted to provide the 'right' answer and were not a true assessment of the options. Equally important, value for money assessments never took account of the financial impact of the future sale of equity even when it was evident that PFI/PPP equity transactions were frequently obtaining super profits for SPV shareholders. This would have made the value for money assessment null and void.

The chief of executive also claimed that the Council's sole concern was the management of the contract. In other words, what happens in PFI/PPP equity transactions is of no concern to the local authority. Since the four shareholders of Edinburgh Schools PPP1 are all offshore infrastructure funds operating from tax havens, SPV profits/dividends are entirely financed by the City Council. This is a shocking and cavalier abrogation of the public interest.

Badly planned and inadequately resourced contract monitoring, combined with over-reliance on contractor self-certification, have been another problem. This was caused by public authorities stripping back the cost of monitoring as part of showing PFI/PPP was value for

money and believing that since contractors and the SPV were responsible for ‘whole-life costs’ over the contract period that they not cut corners in construction.

The closure of the 17 Edinburgh PPP1 schools due to building defects discovered after storm damaged one school raises important questions about the degree of risk transfer in the PFI/PPP model. The schools were not available for use, and, therefore, under the terms of the contract, the City Council can impose financial deductions. In addition, the City Council could claim the costs of organising alternative buildings and transporting 7,500 children for several weeks. The process caused a major disruption in children’s education, teaching practice and worry for parents about their children’s safety.

So was this risk transferred to the private sector too? These issues illustrate the limitations of ‘risk transfer’ plus the extensive evidence that the degree of transfer has been consistently exaggerated and mis-priced (Shaoul, 2005 and Pollock and Price, 2008). It exposes further flaws in the PFI/PPP model, which separate responsibility for the education infrastructure from teaching and educational development.

Part 4
The drivers of equity transactions

This section discusses the underlying reasons for the rapid growth of the PFI/PPP secondary market, in particular the search for new sources of accumulation and how public private partnerships have become a model neoliberal state-business partnership, heavily dependent on corporate welfare. The plan for a global expansion of PPPs, the acceleration of financialisation, marketisation and privatisation of the public sector and resulting increased inequalities are discussed.

Primary and secondary circuits in the economy

The distinctive role of the primary and secondary circuits of capital has been detailed by Harvey (1978), Lefebvre, (1970) Gotham (2009) and Aalbers (2016). The primary circuit of capital comprises investment in industrial and manufacturing sector that seeks to maximise surplus value from the organisation of labour, work processes and new equipment. Parallel to the production process is a consumption process, or secondary circuit of capital, comprising investment in land, real estate, housing and the built environment. Some aspects of the built environment, function for both production and consumption, such as the transport network. Investment in the built environment *"…entails the creation of a whole physical landscape for purposes of production, circulation, exchange and consumption"* (Harvey, 1978).

> "*A general condition for the flow of capital into the secondary circuit is, therefore, the existence of a functioning capital market and, perhaps, a state willing to finance and guarantee long-term, large-scale projects with respect to the creation of the built environment. At times of over-accumulation, a switch of flows from the primary to the secondary circuit can be accomplished only if the various manifestations of over-accumulation can be transformed into money capital, which can move freely and unhindered into these forms of investment. This switch of resources cannot be accomplished without a money supply and credit system which creates 'fictional capital' in advance of actual production and consumption"* (ibid).

The 2008 financial crisis originated primarily in the secondary circuit as result of the securitisation of mortgages and the collapse of housing and property markets, which led to the collapse of several financial institutions. Three decades of neoliberal ideology has aggressively promoted the case for free trade, competition and markets to allocate resources and deliver services with state control of money supply, whilst deregulation is intended to create new opportunities for capital accumulation. The state is reconfigured to reduce its functions and cut taxes, with democratic accountability limited to partnerships between state and business whilst ensuring cost and power of labour is reduced (Whitfield, 2014).

> *"…neoliberal rationality disseminates the model of the market to all domains and activities – even where money is not an issue"* (Brown, 2015).

Financialisation of the economy, or more specifically the globalisation of financial markets, increased income from financial investment, the shareholder revolution and the penetration of finance in all commercial relations (Cooper, 2015).

Public sector transformation

Financialisation has, in effect, enabled banks and financial institutions to significantly influence which schools and hospitals do, or do not, get built and on what terms. It provides new opportunities for capital accumulation in the provision of public goods. Income generation requirements increase the potential viability of outsourcing contracts and fees, charges and tolls impose commercial attributes and values in public services. However, financialisation is part of a four-part strategy to financialise, individualise, marketise and privatise public services and the welfare state (Whitfield, 2012). Neoliberal 'transformation' is dependent on the parallel and inter-connected implementation of each element of this strategy, which has been assisted by successive UK governments providing a high degree of continuity and support.

Nation states create the conditions, regulations and financing, and provide the legitimacy, to create and sustain markets in public services, particularly in the provision of infrastructure. Embedding market forces, competition, contestability and commercial values was identifiable in a five-stage process - commodifying services and labour in parallel, restructuring the state for competition and market mechanisms, reorganising democratic accountability and embedding business interests (Whitfield, 2006). A further two stages are now evident with the emergence of new market forces in infrastructure – a secondary market for the sale of equity in PFI/PPP project companies and the formation of new infrastructure funds that have increased offshoring of PFI/PPP equity and increased opportunities for wealthy and institutional shareholders.

This approach to increase opportunities for shareholders, contrasts with an attempt to attract direct retail investment in the equity financing element of the A$4.8bn Brisbane, Australia, airport link road in 2008. It was underwritten by Macquarie Bank and Deutsche Bank, but was under-subscribed leaving the banks holding a large stake. A dramatic collapse in the value of shares, court cases, flawed traffic forecasts and poor management led to a failed strategy (Whitfield, 2010). Brisconnections, the PPP company, entered into voluntary administration in 2013 following *"…an analysis of traffic levels post the introduction of tolls and a review which determined that the enterprise value of BrisConnections may be less than the outstanding debt"* (Brisconnections, 2013).

Although the rate of new PFI projects slowed with the onset of the financial crisis, the return/profit of existing projects were practically guaranteed. Despite the financial crisis being rooted in the secondary circuit, neoliberal policies provided the opportunity to convert good quality, low risk returns, into super profits through the financialisation of public infrastructure and the rapid growth of new offshore infrastructure funds exploiting tax-free accumulation. By 2016 twelve offshore infrastructure funds have significant equity ownership in 547 PFI/PPP UK projects, representing 74% of current projects (see Table 4).

The secondary market offshore infrastructure fund model has created a new mechanism for shareholders to achieve a 6%-8% annual dividend by investing in secondary market infrastructure funds. This dividend is obtained ***after*** finance and construction capital had achieved an average annual 28-29% rate of return by selling the original equity in the SPV - twice the level agreed in final PFI business cases – and profits made in the full or partial sale of secondary market infrastructure fund assets.

Meanwhile, austerity policies are planned to continue until at least 2020 with further public spending cuts in education, early years, social care and social housing, although not as severe as the 2010-2015 period (Reed, 2016).

Although PFI/PPP infrastructure projects may be part, or fully, financed by foreign banks or financial institutions, they are effectively fixed local assets. However, the secondary market converts or delocalises the equity in infrastructure projects into liquid financial assets that are attractive to wealthy individuals and global investors, such as pension funds, insurance companies, sovereign wealth funds and private equity funds. Secondary market funds and their shareholders are primarily, if not exclusively, concerned about the overall performance of the fund and the size of their annual dividend. They show little or no interest in hospitals and schools in Edinburgh, Newcastle, Nottingham or London or anywhere else as long as they are providing financial returns.

Neoliberalism and the state-business partnership PFI/PPP model

The secondary circuit did absorb many of the economic consequences of the 2008 financial crisis, although neoliberal policies over the preceding three decades had created the conditions for new opportunities for accumulation in the secondary circuit. For example, deregulation legitimated 'light touch', or self-monitoring, and the absence of controls to prevent offshoring and tax avoidance; the commodification of 'risk transfer' together with the design, build, finance and operate model led to marketisation with extensive outsourcing, use of consultants and subsequent loss of public sector capability (Table 2, Whitfield, 2012, details 25 sources of profit in PFI/PPP projects); and privately financed and business-led infrastructure projects which were part of the state-capital 'public-private partnership' model

that eroded democratic accountability and participation, with transparency made virtually meaningless by ‘commercial confidentiality’.

Nation states, and international organisations such as the World Bank, IMF and OECD, have played a pivotal role in supporting and financing the PFI/PPP model, which had a key role in the imposition of structural adjustment policies in the global south beginning in the early 1990s. In developed economies “…*the role of the state as an agent of restructuring is paramount”* in markets, finance and the transformation of economic and social life (Fine, 2010).

The development of PFI/PPP projects, in particular the Design, Build, Finance and Operate (DBFO) model, combines state and capital interests with a ‘corporate welfare’ approach that increases the commodification and financialisation of public infrastructure and ultimately widens the potential for privatisation. This approach included financial support mechanisms such as tax, procurement and regulatory frameworks, aided by the revolving door of PFI advisors between the public and private sectors (Whitfield, 2012 and Farnsworth, 2013).

Since 1992 UK governments have undertaken a series of policy, financial and political initiatives to underpin the PFI/PPP programme. The initiatives are not exclusive to UK companies, nor are they exclusive to a particular type of public infrastructure. Consequently, they are not deemed to be ‘state aid’ under the EU regulations (European Commission, 2013). However, PFI/PPP is a classic example of the neoliberal state-business partnership model that is dependent on corporate welfare. The ‘price of partnership’ required the government to:

- *legislated* to create a legal and financial framework for PFI/PPP contracts and to provide the conditions for the PFI/PPP market to expand and consolidate; the DBFO contract, or availability model, required the state to lease the land to the PFI/PPP project company, which, in turn, leased the completed building to the public sector with payment dependent on availability of facilities. The user-pay model of charging or tolling was used for public transport (and motorways in other countries);

- *established PFI/PPP units* within government to advise and promote the PFI/PPP model across the public sector;

- *limited public sector capital expenditure* to drive local authorities and other public bodies into believing that PFI/PPPs are the only option despite the effective interest rate of all private finance deals (7%-8%) being **double** that of all government borrowing (3%-4%) (NAO, 2015);

- *legitimated off-balance sheet financing* so that the state ring-fenced public contractual debt is considered ‘private debt’ and, therefore, does not affect the level of public debt;

- *permitted* the commodification and ‘transfer’ of ‘risk’, which is frequently exaggerated and mispriced;

- *outsourced* the design, planning, project management and facilities management services, thus reducing public sector capability to deliver these functions and services;

- *guaranteed* contractual payments by public sector bodies so that PFI repayments are ring-fenced/guaranteed before all other budget items – public sector PFI/PPP contractual commitments for capital repayments, interest and service charges total £232.4bn (undiscounted) between 2014-15 and 2049-50 (Institute for Fiscal Studies, 2016). The UK government also established an Infrastructure Finance Unit in March 2009 to fund any shortfalls in bank finance on privately financed infrastructure projects during the financial crisis;

- *ignored* the erosion of democratic accountability, transparency and scrutiny alongside increased self-monitoring and certification;

- *required* public sector comparator and value for money evaluation of options that are narrowly focused, which exclude comprehensive cost benefit and impact assessment and designed to eliminate public sector competition from the procurement process;
- *provided* government subsidies to NHS Hospital Trusts when they cannot meet PFI repayments and/or meet the health need of their local population;
- *permitted* the transfer of equity in PFI/PPP projects to offshore tax havens despite these projects being dependent on public finance;
- *sanctioned* increased public sector dependency on management consultants, financial advisers and lawyers, that has led to a significant loss of public sector capability;
- *launched* a new initiative with the G20, EU, OECD, World Bank, IMF to encourage insurance companies, sovereign wealth funds, and in particular pension funds, to invest in PFI/PPP projects in the UK and globally.

Erosion of democratic accountability

The PFI/PPP process has been widely criticised for a lack of democratic accountability, participation and transparency. Once projects are operational, public bodies have considerably less control over public buildings than they would under direct public investment. They are not only tied into contractual obligations to make large repayments for 25-30 years, but are confronted by higher charges every time they want to vary the use of rooms or make even minor changes. Public use of buildings can readily become another cash cow for the SPV. This includes charges for community use of buildings and sports fields.

The SPV is operationally responsible, but ultimate responsibility rests with the equity owners and they are increasingly offshore secondary market infrastructure funds. This adds another tier of decision-making on strategic issues and further extends the web of secrecy (see Part 5). This adds up to a further erosion of democratic accountability.

Increased inequalities

The PFI/PPP secondary market increases inequality in four ways. Firstly, by providing a means of financial gain from the trading of equity in the provision of public goods, such as schools, hospitals and public transport.

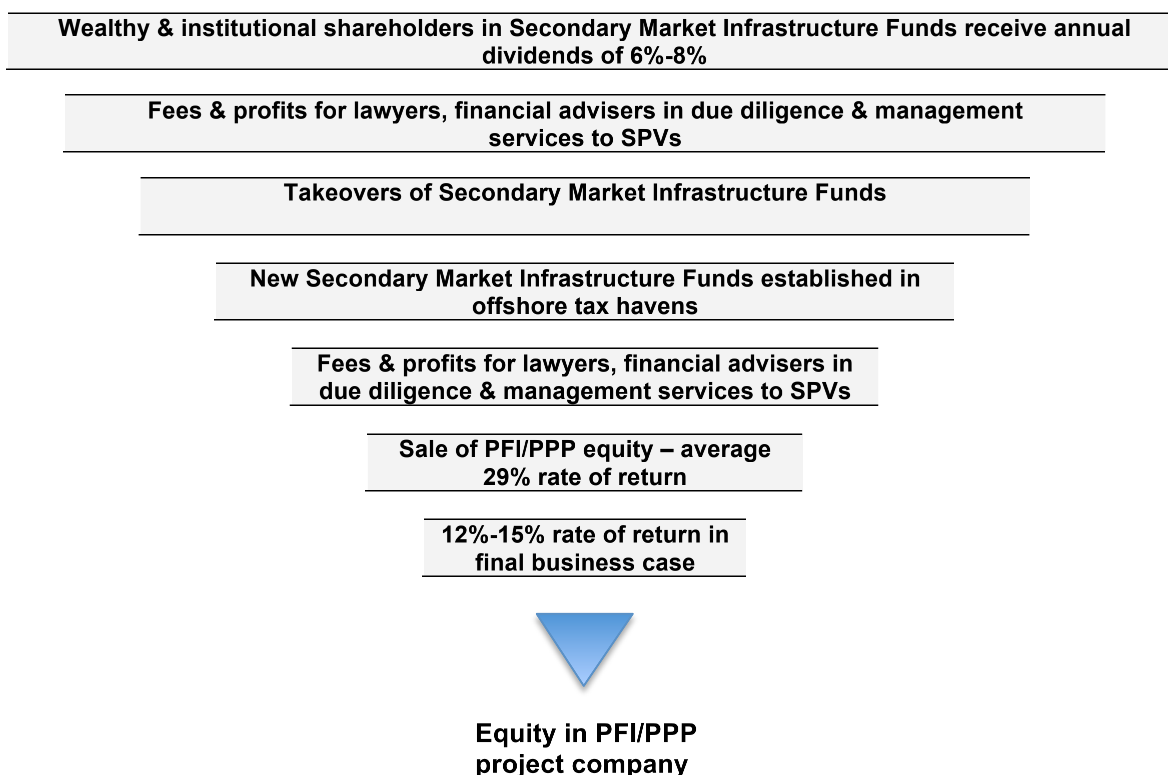
Secondly, it is primarily wealthy individual and institutional shareholders who use nominee companies to invest in offshore infrastructure funds to conceal ownership and receipt of annual tax-free dividends.

Thirdly, the professional classes – lawyers, financial advisers, accountants, management consultants - gain fees and profits from equity transactions, setting up new infrastructure funds and assisting fund takeovers.

Finally, hard and soft facilities management services provide the bulk of employment in PFI/PPP projects over the contract period. Facilities management contractors have a chequered employment track record with regard to jobs, terms and conditions, meeting TUPE (staff transfer obligations) and workforce development practices.

The inverted pyramid in Figure 2 illustrates how equity in PFI/PPP project companies is sold at different stages with professional groups gaining fees and profits in the process, culminating in wealthy and institutional shareholders gaining an annual tax-free dividend of 6%-8%.

Figure 2: **Financialisation of PFI/PPP projects**



This upside down pyramid is an ironic take on 'pyramid schemes', which also promises easy money in return for a cash sum if they enrol new members into the scheme. They are illegal and designed to con members into investing significant amounts of money that can never be recovered.

The PFI/PPP pyramid is:

- the most expensive way of designing, building, financing and operating public infrastructure;
- a Private Wealth Machine given the scale of equity transactions and profiteering;
- built entirely on taxpayers money.

Global expansion of PPP model

A new surge to increase privately financed infrastructure is under way, orchestrated by the G20, World Bank, OECD, the development banks and finance capital. *"Infrastructure financing will need to come increasingly from the private sector"* (Bank of International Settlements, 2014). The World Bank, International Monetary Fund (IMF), OECD and EU have launched a series of initiatives to increase private investment in public infrastructure. For example the European Fund for Strategic Investments (EFSI), a three-year €315bn Plan 2015-2017 together with EU Project Bond investment in trans-European networks and the World Bank's Global Infrastructure Facility to help prepare and design infrastructure projects. These initiatives will accelerate the increase in the number of PFI/PPP projects, (in particular mega projects), and widen the role of the primary and secondary global infrastructure markets.

Privately financed infrastructure is leading to larger, often mega projects, with increasing demands for government guarantees, subsidies, insurance and risk reduction whilst glossing over the negative impact of PPPs. This makes PPP projects more complex, whilst increasing globalisation of infrastructure projects further empowers transnational infrastructure funds, private investors, contractors, consultants and lawyers. Although pension funds, insurance companies and mutual funds are classified as 'private financial institutions', the former are in fact workers deferred wages and public sector pension funds are usually publically controlled bodies. In addition, our personal savings form a large part of the 'assets' of other funds.

The wider private equity secondary market enables pension funds, investment funds and wealthy individuals to trade in investments in private equity funds for similar reasons to the infrastructure secondary market noted earlier. The number of new and secondary funds with between £1bn-£2bn of capital to acquire assets has increased since 2010. The infrastructure sector of the secondaries market grew 28.5% to US$614m in the first half of 2015. However, this was a small part of the US$20.6bn secondaries market dominated by private equity fund transactions in North America and Europe (Setter Capital, 2015).

Increasing internationalisation can be expected, for example China's Gingko Tree Investment Ltd (State Administration of Foreign Exchange Investment Company) acquisition of a 40% stake in the University Partnerships Programme building student accommodation in UK universities, and could signal wider foreign investment in PFI/PPP projects.

Drive to increase pension fund investment in PFI/PPP

The UK Pension Infrastructure Platform, managed by Dalmore Capital, began slowly and achieved its first investment in April 2014. Three of the initial ten pension funds withdrew, but further investments have since been made. Engaging pension funds in private infrastructure investment, is not simply concerned with replacing the withdrawal of bank finance, but has ideological objectives to embed workers pensions interests in PFI/PPP programmes.

Pension funds have to address higher risks, which could threaten their ability to fund pensions and raises contradictions between the political economy interests of workers and the objectives, sectors and locations of PFI/PPP projects of their pension fund investments. Several companies have transferred PFI/PPP equity holdings to the company pension fund in lieu of making their annual cash contribution, which again raises questions of short-term corporate interests overriding more secure longer-term interests of pensioners.

The ratio of PFI/PPP assets owned by offshore funds in tax havens is likely to continue to increase unless radical action is taken as part of the G20 and OECD action against tax havens and tax avoidance. Pension funds, members and trade unions are likely to face new conflicts of interest between public policy and investment strategies.

PFI/PPP model will increase privatisation

The continued marketisation of education, health and other welfare state functions will further destabilise direct public provision. It will create opportunities for private equity firms to acquire education and health companies for 'turnaround', either because they experience operational problems or need to finance new investment.

Secondly, Social Impact Bonds are another driver of privatisation of the welfare state (Whitfield, 2015b). The developing 'social investment market' offers investors a rate of return of 5%- 30% primarily in early development and prevention services. *"The investor gets a return and the person invested in gets the durable asset of a more nearly whole life"* (James, 2016).

Thirdly, private investment in education and health in the global south often combines provision of services *and* infrastructure. This could lead to combined provision on a wider scale.

Finally, it should not be assumed that full control of buildings would automatically return to public sector ownership when PFI/PPP contracts are concluded. Infrastructure funds could propose new contracts to take account of new methods of service delivery, the provision of additional facilities, or in some cases, to accommodate changes of use. In some cases 'whole-life costs' may not turn out to be what was intended in the contract leading to disputes and/or the need for further investment.

Furthermore, the outsourcing of local authority and NHS Trust property management creates the potential to combine these contracts with PFI/PPP projects that combine infrastructure and services on a wider scale to provide new economies of scale. The continuation of austerity and neoliberal policies will further reduce public sector capability. If this decline is not radically reversed, then public bodies will be less able to invest in and manage public infrastructure. In these circumstances, infrastructure funds are likely to propose new contracts that combine PFI/PPP projects with area wide property management contracts.

Part 5
Offshoring and taxation

This part seeks to explain the reasons why so many secondary market infrastructure funds are registered in offshore tax havens. Tax avoidance uses legal means to avoid paying corporate tax on financial and business activities. Offshoring the ownership of PFI equity occurs in three ways:

Firstly, the acquisition of equity in individual or small bundles of PFI projects by offshore infrastructure funds as identified in the ESSU PFI/PPP Database;

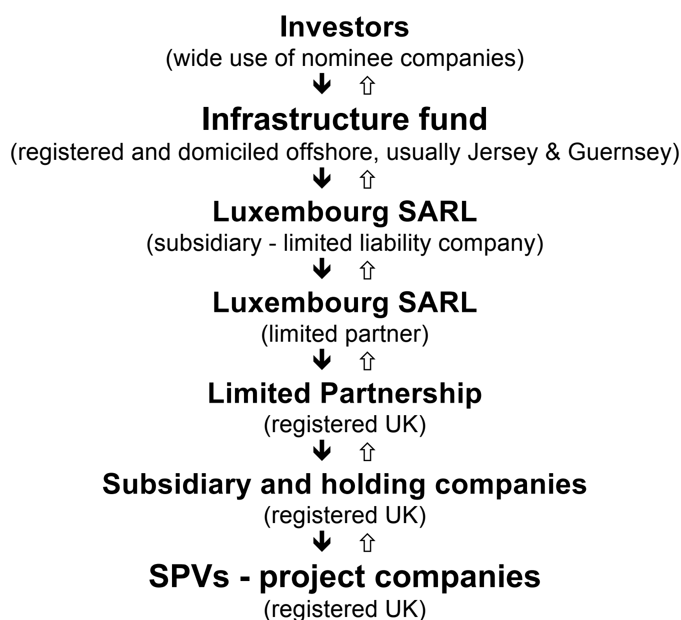
Secondly, the acquisition of UK secondary market funds by other secondary market funds already located offshore;

Thirdly, investment in new PFI/PPP projects by UK companies with parent companies registered in offshore locations.

Offshoring route

Jersey, Guernsey, British Virgin Islands and Luxembourg are classified as tax havens by the OCED. The twelve infrastructure funds identified in Table 4 are registered in one of the four tax havens. Many other UK registered infrastructure funds, such as Aberdeen Asset Management and other companies have subsidiaries and partnerships registered in the same tax havens. This section shows conclusively that five large infrastructure funds, including HICL, paid zero corporate tax on £1.8bn profits over a five-year period.

The common structure of offshore infrastructure funds is illustrated below commencing with investors and culminating with SPV project companies. This is a common route used by many offshore funds for investment (solid arrows) and the sale of equity (outline arrows). Note the use of another tax haven to route assets.



The infrastructure funds in Table 4 are registered in tax havens where corporate tax rates are very low, as demonstrated below. Whether or not investors in infrastructure funds are subject to taxation is a different matter. The 1984 tax regime for UK investors in offshore funds was replaced by the Offshore Funds (Tax) Regulations 2009 (HM Revenue & Customs, 2016) . Different regulations will apply to investors from other countries.

PFI/PPP project companies benefit from offshore tax havens

PFI/PPP project companies are UK registered companies and liable for UK taxation. Although the shares of listed infrastructure funds are traded on the London Stock Exchange, the

companies are registered in Jersey, Guernsey, Luxembourg or British Virgin Islands for tax reasons. The companies maintain head offices in London or elsewhere. The owners of unlisted infrastructure can also benefit from the same offshore tax regimes. Both types of infrastructure funds receive the annual profit/loss, depending on their share of the equity, from each PFI project they have a stake in, plus they retain the profits generated by managing a large bundle of project companies. This is a critical advantage.

Companies that are regarded as resident in Jersey for tax purposes will be subject to the current corporate income tax rate of 0%. Dividends on ordinary shares, together with the sale of ordinary shares, are tax exempt. Stamp duty is not levied on the issue or transfer of ordinary shares (except in the case of death), nor does Jersey levy taxes on capital, inheritances, capital gains or gifts. Companies registered in Guernsey are also exempt from paying taxes on income, profit and capital gains. Under EU regulations SICAV is a limited liability investment company with variable share capital that is exempt from paying income and/or capital gains taxes in Luxembourg. A company is, however, liable to annual subscription tax of 0.05% of its net asset value computed and payable quarterly.

Listed infrastructure funds raise capital by selling shares when the company is first listed on the LSE and at various later dates when the company decides to raise capital to purchase more PFI assets. For example, John Laing Infrastructure Fund (JLIF) was initially floated on the LSE in November 2010 when it raised over £900m. It issued new shares for additional capital in 2011 (twice), 2012, 2013, 2014 and 2016 that raised £651m for the acquisition of more PFI projects. John Laing Group plc originally retained 23.14% of JLIF shares, but sold its entire shareholding in March 2014 (John Laing Infrastructure Fund, 2010 and 2014).

Listed infrastructure funds are geared to achieving financial targets that in turn determines their share price and the level of dividends to their shareholders. Some of the original companies that were PFI/PPP project originators, such as Bilfinger Berger and John Laing, originally had between 18-23% share stake in the listed infrastructure funds. Both have since sold their stakes.

Large-scale tax avoidance

The five largest listed offshore infrastructure funds **made a total profit of £1,828.3m in the five-year period 2011-2015. They paid a total of £11.1m taxes or a tax rate of 0.61%, but when £19.4m of tax credits is included, they paid ZERO tax for five years** – see Table 12. This represents a potential loss of an estimated £400m in UK tax revenue had these companies been registered in the UK (based on UK corporation tax rates of 26%, 24%, 23%, 21% and 20% respectively for the five years 2011-2015).

Table 12: **Annual profit and taxation of listed infrastructure funds 2011-2015** (£m)

	HICL Infrastructure Company Ltd		John Laing Infrastructure Fund Ltd		3i Infrastructure plc		International Public Partnerships Ltd		Bilfinger Berger Global Infra SICAV	
Year	**Profit £m**	**Tax £m**	**Profit £m**	**Tax £m**	**Profit £m**	**Tax £m**	**Profit £m**	**Tax £m**	**Profit £m**	**Tax £m**
2011	46.6	8.3 credit	30.0	5.0	106.3	0.3	16.0	2.9 credit	(0.2)	0.0
2012	84.8	0.6	32.5	1.0	56.0	0.3	70.2	1.8 credit	18.8	0.3
2013	93.1	0.1	31.1	1.1	99.2	0.1	58.6	2.5 credit	19.1	0.6
2014	153.6	0.2	67.2	0.0	71.0	0.0	73.2	2.0 credit	39.1	0.7
2015	230.8	0.2	47.0	0.0	266.8	0.0	81.9	1.9 credit	35.6	0.6
Total	**608.9**	**7.2 credit**	**207.8**	**7.1**	**599.3**	**0.7**	**299.9**	**11.1 credit**	**112.4**	**2.2**
Total Profit: £1,828.3m										
Total Tax: Credits £19.4m less tax paid £11.1m = £8.3m tax credit										

Sources: Consolidated Financial Statement in Annual Report and Accounts for each company for 2011-2015.

Reduced UK corporate taxation - increased PFI profits

The UK corporate tax main rate was 33% when PFI was first introduced in 1992, but it has been continuously reduced to 20% in 2016. The Effective Average Tax Rate in the EU is usually about two percentage points lower than the main rate because of various reliefs and allowances (Eurostat 2013). The bulk of PFI projects were signed before 2008 when the corporate tax main rate was 30% and they have, thus, benefited from the rapid reduction in the corporate tax main rate. It is difficult to estimate the financial benefit, but based on a total of 640 projects signed between 1992-2008 and that the average an SPV benefited in reduced taxation by an average £80,000 per annum in the 8-year period 2008-2015, the total tax loss would have been £410m.

Shareholders in listed infrastructure funds

The shareholders of secondary market infrastructure funds are the beneficiaries of the tax benefits of the offshore location of funds. Companies normally disclose major shareholders who have over a 3% or 5% shareholding in the company – see Table 13. Many of the companies listed in Table 13 are nominee companies whose singular purpose is to hold shares on behalf of a large number of other nominee companies in order to conceal corporate and individual ownership of shares.

Unfortunately, some public bodies are investors in secondary market infrastructure funds, for example, Bradford City Council has a 6.87% stake in the GCP Infrastructure Investments Limited and East Riding of Yorkshire Council has a 4.84% shareholding in MedicX Fund Limited, located in Jersey and Guernsey respectively. Semperian PPP Investment Partners Holdings Limited is a partnership, not a listed company. Significantly, Aberdeen Asset Management has a 31.3% stake through two subsidiary companies (Aberdeen Sidecar LLP is owned by Aberdeen Infrastructure Finance GP Limited, registered in Guernsey). Transport for London Pension Fund has a 29.1% stake.

Table 13: **Shareholders of Infrastructure funds**

Infrastructure Funds	No of shares(m)	Infrastructure Funds	% share holding
Semperian PPP Investment Partners Holdings Limited		**HICL Infrastructure Fund**	
Aberdeen Infrastructure (No.2) LP	15.4	Investec Wealth & Investment Limited	6.97
Aberdeen Sidecar LLP	15.9	Newton Investment Management Limited	5.08
Bosemp Feeder LP	24.4		
Daily Mail and General Trust plc Senior Executives Pension Fund	0.4	**Aberdeen Asset Management**	
Harmsworth Pension Scheme (DMGT plc)	2.6	Mitsubishi UFJ Trust & Banking Corporation	17.16
London Pensions Fund Authority	12.2	Lloyds Banking Group plc	9.79
Transport for London Pension Fund	29.1	Capital Research & Management	7.07
Total	100.0	Blackrock	4.43
		M&G Investment Management	3.94
	% shareholding		
John Laing Infrastructure Fund		**BBGI SICAV S.A.**	
Schroder	13.28	M&G Investments	16.21
Newton Investment Management Limited	10.05	Newton Investment Management	13.78
Insight Investment Management (Global) Ltd	5.08	Schroder Investment Management	10.11
Third National Swedish Pension Fund	4.99	HSBC Global Asset Management UK	6.67
Legal & General Group plc	below 3.00		
Investec Wealth & Investment Limited	2.81	**GCP Infrastructure Investments Limited**	
		City of Bradford MDC	6.87
3i Infrastructure plc		Third National Swedish Pension Fund	6.37
3i Group plc	34.0	Rathbone Brothers plc	5.75
Schroders plc	5.4	Investec Wealth & Investment Limited	5.74
		Insight Investment Management (Global) Ltd	5.07
International Public Partnerships		GCP Infrastructure OEIC Limited	4.95
Schroder Investment Management Ltd	13.97	Close Asset Management Limited	4.86
Investec Wealth & Investment Ltd	10.03	Brewin Dolphin Limited	4.58
Prudential plc	below 5.00	Cheviot Capital (Nominees) Limited	4.05
		J.M. Finn Nominees Limited	3.81

Sources: Semperian PPP Investment Partners Holdings Limited Annual Return to 1 January 2016, Jersey Financial Services Commission; INPP Regulatory News on holdings in company 2013-2016; GCP Infrastructure Investments Limited Annual Report 2015 as at 30 September 2015; John Laing Infrastructure Fund Regulatory News on holdings in company 2015-2016; HICL Annual Report 2015; 3i Infrastructure plc Annual Report 2016.

HM Treasury PFI equity owned in tax havens

The £877m HM Treasury Offices PFI project, formerly Government Offices, Great George Street, has an SPV named Exchequer Partnership plc. This company is owned by Exchequer Partnership Holdings Limited, which is jointly owned by Consolidated Investment Holdings Limited (50% owned by Lend Lease PFI/PPP Infrastructure CIHL Holdings (Jersey) and Aberdeen Infrastructure Investments (No.3) Limited whose parent company is Aberdeen Infrastructure Partners LP (Guernsey). The other 50% stake in Exchequer Partnership Holdings Limited is owned by Aberdeen Sidecar LLP which has two partners – Aberdeen Sidecar LP Inc. and Aberdeen Infrastructure Finance LP GP Limited, both with the same address Admiral Park, St Peter Port, Guernsey! In conclusion, the HM Treasury Office project is 100% owned by secondary market funds located in offshore tax havens – 75% in Guernsey and 25% in Jersey.

Highly profitable listed funds

Seven listed infrastructure funds were valued at £5.2bn in 2015 with six of the funds having net profits of £481.4m in the same year (Table 14). Proof of their formation in the last decade (and profitability during the global financial crisis) is evident of the profitability of their assets.

Table 14: **Listed infrastructure funds valuation and net profits in 2015**

Infrastructure fund	Valuation 2015 £m	Net profit 2015 £m
HICL Infrastructure Company Limited	1,732	230.8
Tetragon Financial Group Limited*	133	39.4
John Laing Infrastructure Fund Limited	868	47.0
3i Infrastructure plc (PPP portfolio)	159	**n/a
International Public Partnerships Limited	1,201	79.9
GCP Infrastructure Investments Limited	658	48.7
BBGI SICAV S.A.	505	35.6
Total	**5,256**	**481.4**

Sources: Company Annual Reports 2015; * Results of Equitix Holdings Limited; ** not available for PPP portfolio

Infrastructure funds managed offshore

Some infrastructure fund companies are registered in the UK, but administered by offshore management companies. For example, Foresight 2 Infrastructure Venture Capital Trust (merged with Foresight VCT plc in early 2016), is registered in the UK, but managed by Foresight Group CI Limited registered in Guernsey. It has a portfolio of PFI projects:

Stobhill & Victoria Hospitals, Glasgow	50.0% equity ownership	
Mid Argyll Community Hospital, Lochgilphead	45.0%	ditto
Stirling Schools	12.5%	ditto
Wharfedale Hospital	25.0%	ditto
Bishop Auckland Hospital	19.9%	ditto
Staffordshire Schools	50.0%	ditto
Sandwell Five Schools project	50.0%	ditto
Drumglass High School, NI	100.0%	ditto

Similarly, the Bank of Scotland's infrastructure fund – Bank of Scotland Infrastructure (No.3) Limited, renamed Aberdeen Infrastructure (No.3) Limited, is administered in Guernsey, but is registered in the UK. However, it's parent company, Aberdeen Infrastructure Partners LP Inc., is registered in Guernsey, as are Aberdeen Sidecar LP Inc. and Aberdeen Infrastructure Finance GP Limited.

Capita facilitates offshoring

Outsourcing contractor Capita provides services to offshore infrastructure funds and other businesses through Capita Financial Administrators (Jersey) Limited, a wholly owned subsidiary of Capita Group plc. For example, the company provided administrator, secretary and registered office for the GCP Infrastructure Investments Limited and Capita Registers (Jersey) Limited was the registrar of the company (GCP Infrastructure Investments Limited, 2010).

Web of secrecy

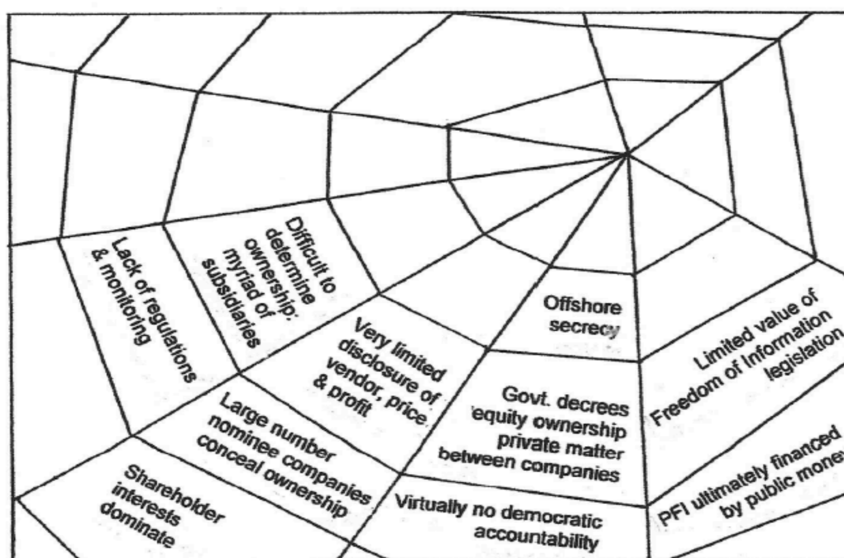
The lack of transparency of PFI equity transactions has become more evident in the last four years as offshore infrastructure funds dominate the secondary market (Whitfield 2010 and 2012). The Treasury's claim that equity transactions are private matters between private companies continues to compound the problem. The lack of transparency is even starker in secondary market fund transactions as they rarely disclose the price and/or profit of transactions. Ownership of PFI SPVs is often buried in subsidiary companies. More and more project equity is owned by offshore infrastructure funds that are ultimately only answerable to their shareholders.

Service users, community organisations, staff, trade unions and most elected members have virtually no knowledge of the sale of equity in local PFI projects. The only exceptions are where dedicated journalists have tracked local PFI projects. But the further sale of the same assets in secondary market fund transactions, usually to offshore tax havens, proceeds without publicity or challenge. The Committee of Public Accounts recently concluded:

> *"Accountability to Parliament for the use of public funds has been weakened by the failure of the government's accountability arrangements to keep pace with increasingly complex ways of delivering policies and services"* (House of Commons Committee of Public Accounts, 2016).

That report did not make any reference to PFI projects. It was limited to the responsibility of Departmental 'Accounting Officers', usually Permanent Secretaries, who are responsible and accountable to Parliament for the use of taxpayer's money and expected to *"…draw on supporting accountability systems"* (ibid). The need to tackle offshore corporate and tax secrecy is critically important, but the fundamental lack of transparency in transactions within the UK (and other countries) is also critical. The recommendations in Part 7 are intended to address many of these issues.

Figure 3: **Web of secrecy**



The level of transparency has declined relative to the growth of secondary market fund transactions by both UK and offshore funds. The problem is most acute with unlisted (private) secondary market funds (such as Semperian, Innisfree and Dalmore), which, at best, issue brief news statements that are largely devoid of transaction information. This requires international action because many secondary market funds have assets in several countries.

OECD plan to address tax havens

Following the 2009 G20 London Summit, the OECD launched an initiative to meet standards on tax transparency and effective exchange of information to tackle tax evasion and avoidance (OECD, 2010). The OECD has a new Common Reporting Standard (CRS), which countries are required to adopt (Guernsey, Jersey, Luxembourg and British Virgin Islands are in group of

55 countries expected to undertake 'first exchanges' in 2017). Countries will also be required to have signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

Jurisdictions that are not compliant with the CRS will be blacklisted. The OECD or the Global Forum on Transparency and Exchange of Information for Tax Purposes claim they do not have powers to impose sanctions on countries that do not implement the standards (Tax Justice Network, 2010). *"The OECD has a long and very patchy record of mis-identifying tax havens"* (Tax Justice Network, 2016). Fears that new OECD regulations would restrict interest payments being deducted against tax were partly allayed when it was reported that the OECD has recommended countries could exempt 'public benefit projects' (Infrastructure Investor, 2015). Meanwhile, business as usual.

Innisfree's major shareholder dividends transferred offshore

Innisfree Limited is a UK registered private company that has funded 55 PFI/PPP projects in the UK (see Table 15) plus seven health projects in Canada, one in Sweden and the HSL-Zuid high-speed rail project in the Netherlands. It manages five long-term investment funds (one jointly with M&G Investment Management Limited), which invest in PFI projects from construction to the operational stage.

The company is owned by the UK registered Innisfree Group Limited, which has the same directors of Innisfree Limited. However, Annual Return gives the shareholders of Innisfree Group Limited are Coutts & Co Trustees (Jersey) Limited (72.2%), Tim Pearson and Matthew Webber, each with 13.9%. The Jersey Company Registry reveals that Coutts & Co Trustees (Jersey) Ltd, (owned by the Royal Bank of Scotland International (Holdings) Ltd) has a share capital of six million £1 shares.

The Innisfree Group Limited's annual report 2015 gives David Metter a 72.2% shareholding. Whilst Innisfree is not an offshore secondary market infrastructure fund such as those described in Table 1, 72.2% of its annual dividends are transferred to the offshore company in Jersey. Innisfree Group Ltd made £91.5m after tax profits in the decade between 2006-2015 and paid £66.2m dividends to shareholders in this period. The Coutts company in Jersey (ie David Metter) received 72.2% of the dividends (except for 34.7% in 2006 before other shareholders were bought out) - **£47.4m.** The question is how many other UK registered infrastructure companies are transferring profits or dividends to offshore tax havens?

Table 15: **Innisfree PFI/PPP projects in UK**

Innisfree PFI projects (% equity ownership)		
Health	**Education**	**Defence accommodation**
Barts Hospital, Hospital, London (50)	South Lanarkshire Schools (43)	Allenby & Connaught (38)
Derby Hospital (100)	North Lanarkshire Schools (50)	MoD Main Building (74)
Walsgrove Hospital (100)	Bassetlaw (100)	NAP Cheltenham (50)
St Helens & Knowsley Hospital (100)	East Dunbarton (50)	Devonport (50)
Mansfield Hospital (100)	Rotherham (100)	
Transforming Newcastle Hospital (65)	Exeter Group Schools (100)	**Other**
Tunbridge Wells (38)	Birmingham Group Schools 2 (100)	Bridgend Prison (41)
Norfolk and Norwich Hospital (37)	Stoke Schools PFI (100)	Hanford Waste To Energy (31)
James Cook Hosp, Middlesbrough (56)	Waltham Forest Group Schools (100)	Dudley Waste To Energy (33)
Walsall Hospital (50)	Merton Group Schools (100)	Wolverhampton Waste To Energy (33)
Princess Royal Hosp. Bromley (50)	Sheffield Group NDS/PPP Phase 1 (100)	Humberside Courts (50)
Dartford & Gravesham Hospital (30)	Barnsley Schools PFI (100)	East Anglia Courts (50)
Queen Elizabeth Hosp. Greenwich (73)	Birmingham Group Schools 1 (100)	
Hairmyres Hospital, Scotland (100)	Leeds Primary Schools PFI (100)	**Transport**
Wythenshawe Hospital, Manchester (25)	Clacton Secondary Schools (100)	Thameslink Rail PPP (33)
Wycombe & Amersham Hospital (100)	Tendring Schools (100)	M6 (67)
West Berkshire Community Hosp. (100)	Waltham Forest Lammas PFI (100)	
Taunton Hospital (100)	Swanscombe Community Schools (100)	

Source: Innisfree website and HM Treasury Currents Projects March 2015

Part 6
Global transactions

Changes since 2012 global analysis

Approximately 10 of the 146 global secondary market transactions (297 PPP projects) that occurred between 1998-2012 could be categorised as takeovers of infrastructure funds (Whitfield, 2012). A sample of the global sale of secondary market funds 2013-2016 provides details of 14 transactions (107 PPP and public infrastructure projects) mainly by global private equity firms (Table 16).

Table 16: **A sample of global secondary market fund transactions**

Year	Vendor	Projects	Sold to	Cost (m)
2016	Macquarie Group (Australia)	Macquarie Atlas Road (46%) toll roads: APPR (France), Dulles Greenway (US), Warnow Tunnel (Germany) & M6 Toll (UK)	Range of institutional investors	€192.0
2016	Ascendi PT II (Ascendi Group, Portugal)	7 motorways (850km) PPPs in Portugal including operational and maintenance companies	Ardian Infrastructure	€600.0
2016	Forum Equity Partners (Canada)	5 PPPs: Surrey Pre-Trial Services Centre, Quinte Courthouse, Windsor Detention Centre, Pedestrian Tunnel at Toronto Airport & social housing Western Canada.	Fiera Infrastructure (Fiera Capital Corporation	C$400.0
2016	Alberta Investment Management Corporation (Canada)	Autopista Central (50%) gives Albertis full control of 6 concessions after acquisitions in 2015	Grupo Albertis (Spain)	€948.0
2016	Plenary Group	Plenary Group Holdings (20%) has 13 PPP in education, health, transport & defence in Australia	Caisse de dépôt et placement du Québec (Canada)	n/a
2015	Bankia and FCC (Spain)	Globalvia Infraestructuras (100%) with 29 mainly highway and rail PPP in Spain, Ireland, Portugal, Andorra, Mexico, Costs Rica & Chile	OPSEU Pension Trust (Canada), PGGM (Netherlands) & Universities Superannuation Fund (UK)	€420.0
2015	Policlinico Di Monza (Italy)	8 acute care hospitals in Piedmont and Lombardy regions	AXA Investment Managers and Medical Properties Trust, New York	€180.0
2015	Fiera Capital Corporation	35% equity in Axium Infrastructure Inc with health, transport & detention PPPs plus power projects	Axium Infrastructure Inc.	n/a
2015	Mitsui & Co Limited (Japan)	Guarana Urban Mobility (49.9% share of joint venture Odebrecht group) Brazil: suburban rail in Rio de Janeiro (60%), No.6 subway line Sao Paulo (13.7%), LRT system Rio (24.9%) & LRT in Golania (90%)	West Japan Railway & Japan Overseas Infrastructure Investment Corporation	n/a
2015	Empresas ICA (Mexico)	Joint venture ICA Operadora de Vias Terrestres (49%) to operate 4 toll roads and highway concessions - 433km across Mexico.	Caisse de dépôt et placement du Québec (Canada)	C$242.0
2015	Gammon Infrastructure Projects Ltd (India)	6 highway and 3 power projects	Brookfield Asset Management (Canada) and Core Infrastructure India Fund Pte Ltd (India)	€903.0
2015	RBS Social Infrastructure Trust (Royal Bank of Scotland)	PPPs - North Shore Hospital, Sydney; 11 schools in New South Wales; Darwin Convention Centre; Southbank Institute Redevelopment, Queensland; Emergency Alerting System, Victoria.	AMP Capital	A$1,300.0
2014	Actividades de Construcción y Servicios (Spain)	Iridium (80%) 4 transportation hub PPPs in Madrid & Barcelona, plus hospital in Madrid	Dutch Infrastructure Fund III	n/a
2013	Empresas Ingenieros Civiles Asociados	Increased joint venture by 19% to 70% in Red de Carreteras de Occidente – 6 projects	Goldman Sachs Infrastructure Partners	€290.0

Sources: Infrastructure fund websites.

The sample illustrates the average transaction increased to an average of 7.6 projects in the 3.5 years in 2013-2016 compared to an average of 2 projects in the 15 years to 2012.

The growth of secondary market trading in other countries, in particular the activities of global private equity funds raises further concerns about similar levels of profiteering occurring in the global south. Except for some highlighted cases, there appears to be limited tracking of the impact of trading in PPP assets.

Differences between UK and Global infrastructure sectors

About 800 PFI/PPP projects have been launched in the UK since 1992 when the programme was launched with 735 projects currently operational after some contracts have concluded and others have been subject to buyout or termination (Whitfield, 2016). In addition 49 NHS LIFT companies built 340 new community health facilities with £2.4bn investment, many built and operated by separate SPVs.

The scale of projects and the secondary market trade in PFI/PPP equity transactions is significantly larger than other countries, which is reflected in the types of infrastructure funds. New offshore infrastructure funds are usually listed on the London stock exchange, but registered in tax havens, such as Jersey and Guernsey.

A key difference is the transaction of whole assets. The UK secondary market has focused on building portfolios of assets by acquiring partial equity stakes. Conversely, the global infrastructure fund sector is dominated by infrastructure funds operated by private equity firms and global banks that have frequently acquired whole assets.

Part 7
Conclusion and recommendations

Neoliberal morality

Schools, hospitals, social housing, prisons, roads and other PFI/PPP projects have been transformed into marketised financial commodities, which has already generated £17bn. With an average annual rate of return twice that contained in final business cases and if a similar rate of return was obtained in secondary market transactions, the total average rate of return could exceed 50% per annum. It turns the original value for money assessment into a travesty.

The commodification, financialisation and scale of profiteering from the provision of public infrastructure reflect neoliberal morality. Austerity policies deep public spending cuts, but the PFI/PPP secondary market continued its momentum protected by the state/business public private partnership and corporate welfare. Meanwhile, hospitals and schools are lumbered with high debt repayments. The number of contract terminations, buyouts and projects with major problems continues to increase (Whitfield, forthcoming).

Global institutions and some governments are trying to persuade pension funds to increase their investment in infrastructure, in particular PFI/PPP projects. This will increase their risks. Involvement in the secondary market will lead to groups of employees benefiting at the expense of others and will only reinforce neoliberal morality.

Of course, there are questions whether the ‘super’ rates of return and high volume of PFI/PPP equity transactions are sustainable, despite the fact that UK transactions and prices increased during the global financial crisis. Much depends on global economic conditions, and in the case of the UK, the additional impact of the Brexit negotiations. Will the relatively new listed secondary market infrastructure funds be subject to takeover by larger private equity firms?

> “…*given the recent surge in debt financing across public and private capital structures, we believe returns on incremental leverage in many parts of the global economy may have peaked and may actually be declining in many instances”* (Global Macro Trends, KKR Global Institute, June, 2016).

The new *Guide to the Statistical Treatment of PPPs* in Europe (Eurostat, EPEC and EIB, 2016) and the World Bank’s *Benchmarking PPP Procurement 2017*, make no reference to PFI/PPP profiteering from the sale of SPV equity or to offshoring. The latter covers the preparation, procurement and contract management of projects, produced in cooperation with lawyers from 82 economies!

Given the scale of PFI/PPP equity transactions and profiteering evidenced in Private Wealth Machine (Whitfield, 2012) and this report it is a stark revelation that these organisations are either ignorant of these issues or choose to ignore them. Either way, it demonstrates a biased, self-serving and politically selective approach to statistics and procurement designed to aid the PPP industry and evade key matters of public interest.

Recommendations

New controls to restrict offshoring public assets

PFI/PPP equity assets are totally dependent on UK taxpayer funding of PFI/PPP projects. Infrastructure funds rely on the stable unitary payments made by government, the NHS and local authorities, which further facilitates increased value of the assets. New regulations should include:

- make it illegal to transfer equity ownership of PFI/PPP assets from UK registered companies to offshore infrastructure funds, which is solely for the purposes of tax avoidance;
- make it illegal to establish offshore PFI/PPP holding companies of SPV assets such as Lend Lease Birmingham and Sheffield examples;

- repatriate equity ownership of PFI/PPP SPV companies to UK registered companies;
- prevent the flotation on the London Stock Exchange of PFI/PPP infrastructure funds by companies registered in offshore tax havens;
- amend the standard PFI/PPP contract to restrict the transfer of PFI/PPP assets to registered companies in offshore tax havens.

Improved accountability and transparency

The following recommendations would improve the accountability and transparency of PFI/PPP projects:

- establish more rigorous monitoring and contract management arrangements;
- revise governance arrangements to increase democratic accountability and scrutiny of PFI projects including annual or bi-annual reviews to assess performance, contract management and costs/affordability;
- public bodies should monitor changes in the ownership of their PFI/PPP projects as an integral part of performance monitoring;
- each change of equity ownership of PFI/PPP project companies (by SPV shareholders and secondary market funds) must be disclosed with the name of the vendor and purchaser, the date of transfer of ownership, the percentage of shareholding, the cost and the expected profit. This information should be included in the London Stock Exchange Regulatory News Service and confirmed in company annual reports. These changes may require amendments to the relevant Companies Act and to the London Stock Exchange regulations;
- companies and Partnerships owning equity in PFI/PPP projects should be required to identify every project and the percentage of equity owned in their annual report;
- each change of equity ownership of PFI/PP should require the approval of local authorities and such notifications should be required to include the full details of ultimate ownership and place of registration. Proposals that involve the offshoring of assets should be challenged;
- freedom of information legislation should be extended to the private sector so it is applicable to private sector and social enterprises engaged in the delivery of public services, infrastructure provision and consultancy services to government, local authorities, the NHS and other public bodies.

The government and the PFI/PPP industry are likely to claim that the above recommendations are ‘impossible’ and ‘unacceptable’. This will only serve to illustrate the fundamental ideological and policy gap between the government/PFI/PPP industry and a radical alternative approach to public infrastructure investment.

Terminate the PFI/PPP programme

The PFI/PPP model of public infrastructure is very expensive, exploitative, increases inequalities and deskills the public sector. Claims about achieving ‘value for money’, ‘social value’ and ‘commissioning for outcomes’ are meaningless.

Selected buyouts and contract terminations

Public bodies should develop a strategic approach to the buyout of PFI/PPP projects or the termination of contracts where they are not meeting performance requirements and/or user/community needs are not being met. Savings may be obtained, profiteering is eliminated and public buildings are returned to public sector control (Whitfield, forthcoming).

The case for the nationalisation of SPVs

Nationalisation of the local PFI project companies (SPVs) is the most effective way of stopping the trade in PFI/PPP equity and secondary market funds and return to public ownership. It would significantly reduce the financialisation and marketisation of public infrastructure (People v Barts PFI, 2015). The People v Barts PFI campaign is developing the original proposal including the legal and compensation issues.

Increased public investment

The PFI/PPP programme should be replaced by increased public investment - *"…the average cost of all government borrowing is 3% to 4%, compared with an estimated financing cost of 7% to 8% for all private finance projects"* (NAO, 2015). Since risk transfer is systematically exaggerated and mispriced it does not outweigh the higher cost.

Radical public management

Nationalisation alone is inadequate. A new public investment infrastructure model is required together with radical public management to rebuild the capability and capacity of the public sector to plan, design, finance and manage schools, hospitals and other public buildings. Innovation, improvement and early intervention and the continuous engagement of service users, community and civil society organisations, staff and trade unions will be critically important to ensure public service principles and values replace the discredited and failed neoliberal public management.

Oppose free trade agreements

The ability to implement the above recommendations is gravely threatened by free trade agreements currently being negotiated, namely the Trade in Services Agreement (TISA), the Transatlantic Trade and Investment Partnership (TTIP), Trans-Pacific Partnership (TPP) and the Canadian-European Comprehensive Economic and Trade Agreement (CETA). Continuing opposition is critically important.

They will have far reaching implications: all public services will be subject to liberalisation (deregulation, marketisation and privatisation); restrict remunicipalisation and public ownership; impose restrictions on universal service obligations; weaken labour standards and regulations; impose an investor-state dispute settlement, which would allow multinational companies to sue governments for compensation when public policies reduce the value of an investment and/or profits (Global Justice & Attac Norge, 2016, Fritz, 2015 and Sinclair et al, 2014).

Furthermore, an economic assessment of the impact of TTIP in Europe concluded that northern European economies would suffer losses of net exports and Gross Domestic Product; a reduction in the labour share of national income; 600,000 job losses; a loss of government revenue in all EU countries; and higher financial instability (Capaldo, 2014).

On a more positive note, the evidence cited in this research report lends weight for a Financial Transaction Tax (FTT). Ten Member States (Austria, Belgium, France, Germany, Italy, Portugal, Slovakia, Slovenia and Spain) have agreed to implement an FTT and more countries should be persuaded to do so.

Appendix A

Tax haven ownership of PFI/PPP projects

Table 17: **UK PFI/PPP projects with 50%-100% equity owned by nine infrastructure funds in tax havens** (June 2016)

PFI/PPP projects with between 50% - 100% of SPV equity held in tax havens in June 2016		
HICL Infrastructure Fund – 69 projects		
Barnet Hospital, London (100)	Greater Manchester Police Authority (72.9)	Queen Alexandra Hospital, Romford (66.7)
Barking and Dagenham Schools (100)	Haverstock School, Camden (50)	Rhonnda Cynon Taf Schools (100)
Blackburn Hospital (100)	Health & Safety Laboratory, Buxton (80)	Sheffield Hospital (75)
Blackpool Primary Care Facility (75)	Highland Schools PPP2 (100)	South Ayrshire Schools (100)
Boldon School (100)	Home Office Headquarters, London (100)	South East London Police Stations (50)
Brentwood Community Hospital (75)	Kent Schools (50)	Stoke Mandeville Hospital, Aylesbury (100)
Central Middlesex Hospital (100)	Lewisham Hospital, London (100)	Sussex Custodial Services (100)
Queen Alexandra Hospital, Portsmouth (100)	Manchester School (50)	Sheffield BSF Schools (59)
Conwy Schools, Wales (90)	Medway Police (100)	Tyne and Wear Fire Stations (100)
Croydon Schools (100)	Metropolitan Police Training Centre (72.9)	West Middlesex Hospital (100)
Darlington Schools (50)	Newcastle City Library (50)	Willesden Hospital (100)
Derby Schools (100)	Newport Schools (100)	Wooldale Centre for Learning (50)
M80 Scotland (50)	Newton Abbot Hospital (100)	A249 Road (50)
Doncaster Mental Health (50)	North Tyneside Schools (50)	A92 Road, Angus (50)
Dorset Fire & Rescue (100)	Norwich Area Schools (75)	Birmingham & Solihull LIFT (60)
Redbridge & Waltham Forest LIFT (60)	Oldham Secondary Schools (75)	Staffordshire LIFT (60)
Durham/Cleveland Police Training Ctre (73)	Oldham Library (90)	Brighton Hospital (50)
Ealing Care Homes (84)	Oxford John Ratcliffe Hospital (100)	Darlington Schools (50)
Ealing Schools (50)	Pinderfields and Pontefract Hospitals (100)	Edinburgh Schools PPP2 (100)
Exeter Crown Court (100)	Northwood MoD Headquarters (50)	Tameside General Hospital (50)
Gloucester Fire & Rescue (75)	Medway LIFT (60)	Salford Hospital (50)
Newham BSF Schools (80)	Perth & Kinross Schools (100)	Helicopter Training Facility MoD (86.6)
Mile Platting Housing, Manchester (50)	West Lothian Schools (75)	Health & Safety Executive Merseyside (50)
John Laing Infrastructure Fund - 37 projects		
Camden Housing (50)	Kingston Hospital (60)	Roseberry Park Hosp, Middlesbrough, (100)
Canning Town Social Housing (100)	Leeds Comb. Secondary Schools (100)	Peterborough Schools (100)
Cleveland Police Station & HQ (50)	Manchester street lighting (50)	Sirhowy Way Road, Wales (100)
Bexley Schools (100)	Miles Platting Housing, Manchester (50)	South East London Police Stations (50)
Bentilee Hub Community Centre (100)	M40 (50)	Wakefield street lighting (50)
Brockley Social Housing, Lewisham (100)	Newham Hospital (50)	Walsall street lighting (100)
Enfield Schools (100)	Newham Schools (100)	Surrey Street Lighting (50)
Forth Valley Hospital (100)	North East Fire and Rescue (100)	Lambeth Street Lighting (100)
Tunbridge Wells Hospital (100)	Northampton Mental Health (100)	Enfield Street Lighting (100)
Highland School, Enfield (100)	North Swindon Schools (100)	Redcar & Cleveland Street Light. (100)
North Birmingham Mental Health (100)	North Staffordshire Hospital (75)	Barnet Street Lighting (100)
Kirklees Social Housing (100)	Realise Health LIFT, Colchester (60)	British Transport Police PPP (100)
Oldham Social Housing (95)		
International Public Partnerships – 19 projects		
Abingdon Police Station, Thames Valley Police (100)	Hereford & Worcester Magistrates Courts (100)	North Wales Police Headquarters (100)
Bootle HMRC Government Offices (100)	Liverpool Library (100)	St Thomas More School, W.Midlands (100)
Calderdale Schools Partnership (100)	Maesteg Schools, Bridgend, Wales (100)	Strathclyde Police Training Centre (100)
Derbyshire Magistrates Courts (100)	Moray Schools, Scotland (100)	Tower Hamlets Schools (100)
Derbyshire Schools I (100)	Norfolk Police Headquarters (100)	Kent Schools BSF Wave 3 (58)
Derbyshire Schools II (100)	Northampton Schools (100)	Wolverhampton BSF Wave 5 (82)
Greenwich BSF Wave 1 (50)		
Bilfinger Berger Global Infrastructure – 19 projects		
Avon & Somerset Police HQ (64.9)	Gloucester Royal Hospital (50)	Mersey Care Hospital (76.2)
Barking Dagenham & Havering LIFT (53.3)	Kent Schools (50)	Tor Bank School (100)
Clackmannanshire Schools (100)	Lagan College (100)	Barnet/Haringey LIFT (53.3)
Bedford Schools (100)	Lisburn College (100)	Liverpool & Sefton Clinics (53.3)
Coventry Schools (100)	M80 Scotland (50)	Stoke/Staffordshire Fire & Rescue (85)
East Down Colleges (66.7)	M1 Westlink (100)	Scottish Borders Schools (100)
North West Regional college (100)		
Semperian PPP Investment Partners Holdings Limited – 44 projects		
Army Foundation College (51)	East Dunbartonshire Schools (50)	Milton Keynes Secure Training Centre (50)
A1 Darrington-Disforth (50)	Doncaster Mental Health (50)	Northern General Hospital, Sheffield (50)
M40 Denham-Warwick (50)	Gloucester Royal Hospital (50)	Princess Royal Hospital, Bromley (50)

Newcastle Estate HM Revenue (100)	Leicester BSF Schools Phase 1 (100)	Sandwell Five Schools Project (50)
Ambulatory Care Centre, Birmingham (100)	Leicester BSF Schools Phase 2 (100)	Wythenshawe Hospital, Manchester (50)
Falkirk Schools PPP1 (100)	Hereford Hospital (75)	Sandhill View Schools, Sunderland (100)
Great Western Hospital, Swindon (100)	Hull Royal Infirmary (100)	Wirral Group Schools (100)
Eccles Special Schools, Salford (100)	Kirklees Group Schools (90)	Richmond upon Thames Schools (100)
Bridlington Schools (100)	Liverpool Group Schools (50)	Staffordshire Children's Homes (100)
Brighton Schools (100)	Haringey Group Schools (100)	HMP Altcourse (50)
Darent Valley Hospital, Dartford (70)	Salford Special Schools (100)	HMP Rye Hill (Onley) (50)
Daventry Community Hospital (100)	Sheffield Group Schools Phase 2 (100)	Rotherham Mental Health (50)
Avon & Wiltshire Mental Health (100)	Torbay Schools (100)	Goodmayes Hospital, Redbridge (100)
Manchester Magistrates Court (50)	North Yorkshire Fire & Rescue (100)	Herts & Essex Community Hospital (100)
North Wiltshire Schools (83.2)	Neath Port Talbot Hospital (100)	
Tetragon Financial Group Limited (Equitix Ltd) – 68 projects		
Newbury College (100)	Edinburgh Royal Infirmary (50)	Surrey Health (100)
Inverness College (50)	Papworth Hospital Cardiothoracic Ctr (50)	Lancaster Health (100)
Inverclyde Schools (85)	Hub North Scotland (50)	Derby Healthcare (50)
Cambridgeshire BSF Phase 1 (90)	Hub South West Scotland	Leicester Healthcare (50)
Greenwich BSF (50)	Coventry LIFT (87.5)	Lincolnshire Healthcare (50)
Pembroke Schools (100)	South East Essex LIFT (78.75)	Durham & Teeside LIFT (60)
Derbyshire BSF Phase 1 (80)	South West Hampshire LIFT (77.5)	Bradford & Airedale LIFT (60)
Ealing Schools (50)	Leeds LIFT (100)	Leeds Mental Health (100)
West Sussex Street Lighting (100)	Cleadon Park Health Ctr, S. Shields (100)	Hengrove Leisure, Bristol (100)
Blackpool Street Lighting (50)	MaST LIFT (60%)	Penzance Leisure (100)
Oldham Street Lighting (50)	Greater Nottingham LIFT (60)	Breckland Leisure (100)
Rochdale Street Lighting (50)	North Nottinghamshire LIFT (60)	Waterfront Leisure, Crosby (50)
A30/A35 road (65)	Leicester LIFT (60)	Rivendell Leisure, Solihull (50)
CNDR Road, Carlisle (75)	Sandwell LIFT (60)	Boxwood Leisure, Bexley (50)
Knowsley Street Lighting (100)	South Derbyshire LIFT (60)	Sheffield Council Offices (100)
Hampshire Street lighting (100)	Ipswich Hospital (50)	Copeland BC Offices (100)
Southampton Street Lighting (100)	Wigan Joint Services Centre (50)	Bournemouth Library (100)
Ealing Street Lighting (100)	Doncaster LIFT (100)	West Yorkshire Police (50)
Islington Street Lighting (100)	Bury, Tameside & Glossop LIFT (100)	Dalmuir Waste Water Treatment (80)
Nottingham Street Lighting (100)	Solent LIFT (100)	Barnsley LIFT (100)
Housing regen, Brunswick, Manchester (78)	ReSound Plymouth LIFT (100)	Roehampton Hospital (50)
North Tyneside Housing older people (70)	Camden & Islington LIFT (100)	Shropshire Healthcare (50)
Ayr Academy (56)	William McIlvanney Campus, Ayrshire (56)	
3i Infrastructure plc – 53 projects		
Ayrshire College, Kilmarnock (100)	Findlay House, Edinburgh (100)	York 4 Schools project (50)
Aberdeenshire Schools PPP2 (70)	St Georges Park Hospital, Morpeth (70)	Paragon schools project, Dudley (100)
Angus Schools (100)	Redcar & Cleveland Schools (100)	Whitecross School, Hereford (90)
Clackmannanshire Community Health (100)	Whitley Bay Joint Service Centre LIFT (60)	Bodmin Hospital (100)
Easter Ross PC Centre (50)	Argyll & Bute Schools (100) (NDP)	Tiverton Community Hospital (100)
New Craig Hospital, Inverness (70)	Edinburgh Royal Hospital (50)	Community Hospital, Chester-le-Street (100)
Midlothian Community Hospital (100)	Forfar & Kirriemuir CRC (100)	University Hospital N. Durham (50)
Gartnavel Royal Hospital, Glasgow (70)	Midlothian Schools (100)	Kings College Hospital, London (75)
Dumfries & Galloway Maternity Service (100)	Stirling Schools (50)	Luton & Dunstable Hospital (100)
Wishaw Hospital, Motherwell (60)	West Lothian Schools PPP1 (100)	St Georges Hospital, Tooting (100)
Marine Services MoD (100)	Plymouth Schools (50)	Dorset Police Regional HQ (80)
Workington Police Station (100)	Croydon Ashburton Centre (100)	Ysgol Gyfun Penweddig School (100)
HM Revenue Offices (50)	Wright Robinson School Manchester (50)	Garth Olweg Learning Centre (100)
Oldham Library (50)	Boldon School, S.Tyneside (100)	HMP Thameside, Belmarsh (100)
A249 Stockbury-Sheerness (50)	Ingleby Barwick School, Stockton (100)	HMP Ashfield (100)
A50/A564 Stoke-Derby (75)	Medway, Kent Police (80)	HMP Dovegate, Burton (100)
M1-A1 Lofthouse-Bramham (50)	East Anglia Courts (50)	HMP Lowdham Grange (100)
Humberside Magistrates Courts (50)		Kilmarnock Prison (100)
Aberdeen Asset Management (Aberdeen Infrastructure (No 3) Ltd) **– 9 projects**		
HM Treasury Offices PFI project (75)	Cornwall Fire Stations (50)	Southampton Group Schools (50)
Cornwall Grouped Schools II (50)	Hattersley Schools, Tameside (50)	Hadley Learning Centre, Telford (50)
Gloucester Police HQ (100)	Leeds Group Schools I (50)	Chalcot Estate, Camden, London (50)
GCP Infrastructure Investments Limited – Gravis Capital Partners – 12 projects		
Aberdeen City Schools (100) (NDP)	Amber Valley Leisure (100)	Runwell Community Hospital, S.Essex (100)
Highland Schools PPP 1 (100)	Rotherham Leisure (100)	Stanley Primary Care Centre, Durham (100)
Slough Schools (100)	Wolverhampton Leisure (100)	Lanchester Road Mental Health Unit, North Durham (100)
Kirklees Special needs schools (100)	North Yorkshire Schools (100)	Braintree Community Hospital, Essex (100)
United Medical Enterprises Group Limited BC343764 – 4 projects		
Croydon Care Homes (50)	New Victoria & Stobhill Hospitals, Glasgow (25) plus HICL (25)	Young Person Facilities Hertfordshire (75)
Healthsource Bromley (100)		
Total 334 (45.4% of PFI projects)		

Source: ESSU PPP Equity Database and infrastructure fund websites May 2016. NPD projects in Scotland are not included in HM Treasury current projects listings.

Appendix B

Sale of UK Secondary Market Infrastructure Funds

Table 18: **Sale of UK Secondary Market Infrastructure Funds 2003-2016**

Owner	PFI/PPP assets owned at the time of the equity transaction (% equity ownership)	No. of UK PFI/ PPP	Sold to	% share stake	Price paid £m	Source
2016						
Lend Lease PFI/PPP Infrastructure Fund Investor Ltd (Lendlease Corporation, Australia) 23/12/15	Lend Lease PFI/PPP Infrastructure Fund – renamed Civis PFI/PPP Infrastructure Fund LP (sale of remaining stake in joint venture)	19	Dalmore Capital	9.0	18.4 (£4.5m profit)	Lend Lease PFI/PPP Infrastructure Fund Investor Ltd AR 2015 Limited Partnership change LP6 04/03/16
2015						
Equitix Holdings Ltd (CS Capital Partners III LP – Cabot Square Capital LLP)	**Education** Newbury College (100) Inverness College Inverclyde Schools (85) Cambridgeshire BSF Essex BSF Greenwich BSF (50) Pembroke Schools (100) Derbyshire BSF Ealing School (50) **Health** Bishop Auckland Hospital (44) Hub North Scotland (50) Hub South West Scotland Coventry LIFT (87.5) South East Essex LIFT (78.75) South West Hampshire LIFT (77.5) Dudley LIFT (42.8) Ipswich Hospital Wigan Joint Services Centre Leeds LIFT (100) ReSound Plymouth LIFT Solent LIFT Bury, Tameside & Glossop LIFT Doncaster LIFT Camden & Islington LIFT Barnsley LIFT Cleadon Park Health Centre, South Shields (100%) MaST LIFT (60%) Greater Nottingham LIFT (60) North Nottinghamshire LIFT (60) Leicester LIFT (60) Sandwell LIFT (60) South Derbyshire LIFT (60) Derby Healthcare Leicester Healthcare Lincolnshire Healthcare Durham & Teeside LIFT Bradford & Airedale LIFT Roehampton Hospital Shropshire Healthcare Leeds Mental Health Surrey Health Lancaster Health **Social Housing** Housing regeneration, Brunswick, Manchester (78) Housing regeneration, Little London, Leeds (40) North Tyneside Housing for older people (70) **Highways & Street Lighting** West Sussex Street Lighting (100%)	76	Tetragon Financial Group Limited	85.0 (rest owned by manage-ment)	160.4	Tetragon News 02/02/15 and 23/10/14 Tetragon Financial Group Master Fund Ltd AR 2015, p30

	Nottingham Street Lighting (100) Islington Street Lighting (100) Ealing Street Lighting (100) Southampton Street Lighting (100) Hampshire Street lighting (100) Knowsley Street Lighting (100) CNDR Road, Carlisle (75) A30/A35 road (65) Sheffield Highways Birmingham Highways Rochdale Street Lighting (50) Oldham Street Lighting (50) Blackpool Street Lighting (50) **Leisure** Hengrove Leisure, Bristol (100) Waterfront Leisure, Crosby Rivendell Leisure, Solihull Penzance Leisure Breckland Leisure Boxwood Leisure, Bexley **Police & other accommodation** Sheffield Council Offices (100) Copeland BC Offices (100) Univ of Salford student housing Univ of Essex student housing Bournemouth Library (100) West Yorkshire Police **Waste & Renewables** Welland Biopower Northumberland Waste Allerton Waste Recovery Dalmuir Waste Water Treatment, Scotland (80)					
2014						
Dutch Infrastructure Fund	DIF PPP	16	Aberdeen Asset Management plc	100.0	n/a	DIF News 20/11/14
Assura Group Ltd	Liverpool & Sefton Health Partnership LIFT (20) Mersey Care Mental Health Hospital (28.6) North London Estates Partnership 4 other LIFT projects	7	BBGI (3 projects)		22.4 (10.5 profit)	Assura Group RNS 24/01/14 25/11/13 Assura Group AR 2014
Lend Lease PFI/PPP Infrastructure Fund Investor Ltd (Lendlease Corporation, Australia)	Reduction in stake in Lend Lease PFI/PPP Infrastructure Fund – now CivIs PFI/PPP Infrastructure Fund. Worcester Hospital (66.7) Calderdale Hospital (80) Burnley General Hospital (100) St James Oncology, Leeds (100) Lincolnshire Grouped Schools (100) Newcastle Grouped Schools 1 (100) Lilian Baylis School, Lambeth (100) Lancashire BSF Phase 3 (80) Exchequer Partnership (No. 2) (50) GOGGS West (HM Treasury) (50) Lancashire BSF Phase 1 (80) Lancashire BSF Phase 2 (80) Lancashire BSF Phase 2a (80) Lancashire BSF Phase 3 (80) Central Manchester University Hospitals (65) Birmingham BSF Wave 2 Phase 1 (100) Birmingham BSF Wave 2 Phase 2 (100) South Tyne & Wear Waste (35) University of Sheffield student accommodation (50)	19	PPDI Assetco Limited (Dalmore Capital)	9.0	n/a	Lend Lease PFI/PPP Infrastructure Fund Investor Ltd AR 2015
Scottish Widows Investment Partnership (Lloyds Banking Group)	Edinburgh Schools PPP1 (30) Fife Schools PPP2 (30) Renfrewshire Schools (35) New Craigs Hospital, Inverness (100) Dumfries & Galloway Hospital (50) Hadley Learning Centre, Telford (50)	32	Aberdeen Asset Management plc	100.0	606.6 (Lloyds received 9.9% stake in AAM	Aberdeen RNS 02/05/14, 01/04/14 and 18/11/13. Lloyds Banking Group RNS 18/11/13 Aberdeen Asset

	Calderdale Royal Hospital (80 JV CDF Suez Coffey) Russells Hall Acute Hospital, Dudley (33.3) Queen Mary's Hospital, Roehampton (25) Gloucester Police HQ (100) St Genevieve's High School, Belfast (33.3) Norfolk Police 2 Counties Custody (42) Birmingham Highways (33.3) Lancashire BSF Phase 1 (40) Lancashire BSF Phase 3 (40) Lincolnshire Grouped Schools (50) Islington Housing street properties 1 (45) Islington Housing street properties 2 (45) Queens Hospital, Romford (33) Cleveland Police Custody (50) Derbyshire Police Divisional HQ (95) North Kent Police (50) Avon & Somerset Magistrates Court (100 JV Amey & JLIF) Hattersley Schools, Tameside (50) Cornwall Fire Stations (50) Leeds Swarcliffe Social Housing (33) Queens Medical Centre, Nottingham (40) Whittington Hospital, London (100) HM Treasury Offices – GOGGS West (50) M8, M73, M74 improvements (30) Royal Liverpool University Hospital (50)				and paid £38.3m cash plus a £50.7m strategic agree-ment with Lloyds)	Management AR 2015
2013						
Barclays Bank plc	Barclays Infrastructure Funds Management Limited: Barclays Integrated Infrastructure Fund (BIIF); Barclays European Infrastructure Fund II; Alma Mater Fund Infrastructure Investors (I2); Barclays European Infrastructure Fund; Barclays UK Infrastructure Fund; (Assets valued at £780m). Edinburgh Royal Hospital (50) Forfar & Kirriemuir CRC (100) North Ayrshire Schools (30) Stirling Schools (50) West Lothian Schools PPP1 (100) East Ayrshire Schools (45) Midlothian Schools (100) Sandwell BSF Phase 1 (40) Plymouth Schools (50) Croydon Ashburton Centre (100) Wright Robinson School Manch (50) Boldon School, S.Tyneside (100) Ingleby Barwick School Campus, Stockton (100) York 4 Schools project (50) Paragon project, Dudley (100) Whitecross School, Hereford (90) Bodmin Hospital (100) Tiverton Community Hospital (100) Community Hospital, Chester-le-Street (100) University Hospital N. Durham (50) Kings College Hosp, London (75) Luton & Dunstable Hospital (100) St Georges Hospital, Tooting (100) Nuffield Orthopedic, Oxford (25) Dumfries & Galloway Maternity Services (100) Wishaw Hospital, Motherwell (60) Ysgol Gyfun Penweddig Schl (100) Garth Olweg Learning Centre (100)	84	3i Group plc	100.0	700.0 estimate Assets valued at 780.0	3i Group plc RNS 11/11/13

	HMP Thameside (Belmarsh((100) HMP Ashfield (100) HMP Dovegate, Burton (100) HMP Lowdham Grange (100) Kilmarnock Prison (100) Dorset Police Joint Services (33) Dorset Police Regional HQ (80) Workington Police Station (100) Medway, Kent Police (80) East Anglia Courts (50) Humberside Magistrates Courts (50) Marine Services MoD (100) Docklands Light Rail Lewisham (40) HM Revenue Offices (50) Oldham Library (50) A1 Darrington-Dishforth (25) A1(M) Alconbury-Peterboro (41.7) A249 Stockbury-Sheerness (50) A30/A35 Exeter-Bere Regis (15) A417/A419 Swindon-Glos (41.7) A50/A564 Stoke-Derby (75) M1-A1 Lofthouse-Bramham (50) Severn River Crossings (15) Staffordshire Street Lighting (40)					
Robertson Group sells its 50.1 stake in Elgin Infrastructure	Aberdeenshire Schools PPP2 (70) Angus Schools (100) Dundee Schools (49.25) Clackmannanshire Community Health Services (100) Easter Ross PC Centre (50) New Craig Hospital, Inverness (70) Midlothian Community Hospital (100) Gartnavel Royal Hospital, Glasgow (70) Findlay House, Edinburgh (100) St Georges Park Hospital, Morpeth (70) Redcar & Cleveland Grouped Schools (100) Whitley Bay Joint Service Centre - LIFT (60) Newcastle & North Tyneside LIFT Company 1 (60) Newcastle BSF Schools Phase 1 (28.9) Newcastle BSF Schools Phase 2 (28.9)	21	Dalmore Capital Fund (managed by Dalmore Capital Limited) (3i Infrastructure Fund own 49.9% of Elgin Infrastructure)	50.1	73.0	Dalmore Capital 23/10/2013 Robertson Capital Projects Limited AR 2014
	Robertson Capital Projects Limited	5	PFI equity investments	50.1		
Investors in the Community LP	Leeds Combined Secondary Schools (100)) Bexley Schools (100) Bristol BSF (37.5) Peterborough Schools (81) Miles Platting Housing (33) Realise Health LIFT (Colchester) (60) Northampton Mental Health (100) Barnet Street Lighting (85) Enfield Street Lighting (85) Lambeth Lighting (85) Redcar and Cleveland Street Lighting (85)	11	John Laing Infrastructure Fund	100	123.0	John Laing Infrastructure Fund RNS 12/07/13
Amey Investments Limited (Ferrovial S.A., Spain)	Dumfries & Galloway Schools (85) Renfrewshire Schools (35) Belfast Schools Partnership (100) Bradford BSF Phase 1 (25.2) Manchester Street Lighting (50) Wakefield Street Lighting (50) Norfolk Street Lighting (100) Northern Ireland Roads 2 (50) Avon & Somerset Courts (20) Ministry of Defence C Vehicles (50)	10	DIF Infrastructure Fund Ill acquires stake in joint venture Amey Ventures Investments Limited which DIF Infrastructure ll already has 50% stake. Amey will retain 10% stake.	40	37.0	DIF News 17/04/13 Ferrovial News Review 2013, 25/02/14 Amey Ventures Investments Ltd AR 2014
Barclays	Plymouth Schools	8	Dalmore Capital	40-50	n/a	Dalmore Capital

European Infrastructure Fund II (Barclays Bank plc)	St Helens BSF Sandwell BSF Leeds BSF 1 Leeds BSF 2 Leeds BSF 3 Leeds BSF 4 Bangor Academy/Nendrum College PPP Project		Fund	40		News 22/03/13
2012						
Community Solutions Investment Partners (Joint venture of Barclays European Infrastructure Fund II & Morgan Sindall Investments)	Barnsley LIFT (60) Doncaster LIFT Bury Tameside & Glossop LIFT (60) Bradford & Airedale LIFT (50) Camden & Islington LIFT (60) Solent LIFT (30) ReSound Plymouth LIFT (18.6) West Sussex LIFT (60)	8	Equitix Limited	100	47.8 Morgan Sindall received £23.9m	Equitix News 20/07/2012 Morgan Sindall Group plc RNS 23/07/12
University Partnerships Programme (UPP Group Holdings Limited, Barclays Bank)	UPP (Alcuin) Limited (78) UPP (Lancaster) Holdings Ltd (100) UPP (Broadgate Park) Holdings (100) UPP (Nottingham) Limited (80) UPP (Plymouth Three) Ltd (100) UPP (Kent Student Accommodation) Ltd (100) UPP (Loughborough Student Accommodation) Holdings Ltd (100) UPP Leeds Metropolitan II Ltd (100) UPP Loring Hall Limited (100) UPP (Oxford Brookes) Ltd (100) UPP (Reading 1) Holdings Ltd (80) UPP (Kent Student Accommodation II) Holdings Ltd (100) UPP (Clifton) Holdings Ltd (80) UPP (Exeter) Holdings Ltd (100) UPP (Byron House) Holdings Ltd (80) UPP Projects Ltd (100) UPP Residential Services Ltd (100) UPP Asset Finance Ltd (100)	18	PGGM Vermogenbeheer BV (Pension Fund, Netherlands) Gingko Tree Investment Ltd, China (State Administration of Foreign Exchange Investment Company – SAFE IC) Both companies have same equity share in Student UK TopCo Limited registered in Jersey which owns UPP Group Holdings Limited	60 40	840.0 550.0	UPP Group Holdings Limited Annual Report 2012 and 2013. Sovereign Wealth Fund Institute, News 17/09/2012
2011						
Barclays Infrastructure Funds Management Ltd, (Barclays Bank plc)	A249 Stockbury-Sheerness, Kent, A92 Claymore Roads, Barking & Dagenham Schools, Boldon School, Croydon School, Derby Schools, Doncaster Schools, Manchester School, Newport Schools, Rhondda Cynon Taf Schools, Doncaster Mental Health, Ealing Care Homes, Glasgow ACAD, Lewisham Hospital, Newton Abbot Hospital, Nuffield Hospital, Oxford Churchill Oncology, Willesden Hospital, Dorset Fire & Rescue, Dorset Police, Medway Police, Swindon Police, Tyne & Wear Fire Stations, Oldham Library plus 2 projects in Ireland	26	HICL Infrastructure Company	25.0 to 100.0	143.4	HICL RNS 20/12/2011
2009						
3i Group plc	Norfolk & Norwich University Hospital Highland Schools PPP2 Plus 84 assets through 3i's minority	86	Sale of 77m shares in Infrastructure Fund – reducing 3i holding to 33.3%	9.5	60.8	3i Press 19/2/2009 3i AR 2008

	shareholding in the secondary market fund, Infrastructure Investors. This includes: DLR Lewisham extension Kings College Hospital, London Highland Wasetwater RAF Lossiemouth Family Quarters HM Revenue & Customs London offices					
Babcock & Brown Public Partnerships Limited (Australia) Voluntary administration 13/03/09 and liquidation August 2009	Abingdon Police State (100) Bootle I Offices (100) Derbyshire Magistrates Courts (100) Derbyshire Schools Phase 1 (100) Hereford & Worcester Magistrates Courts (100) Norfolk Police HQ (100) North Wales Police HQ (100) Strathclyde Police Training Ctr (100) St Thomas More Schools (100) Derbyshire Schools Phase 2 (100) Calderdale Schools (100) Northamptonshire Schools (100) Tower Hamlets Schools (100) Maesteg Schools (100) East London LIFT Dudley Infracare LIFT Bristol Infracare LIFT Oxford Infracare LIFT Wolverhampton & Walsall LIFT Brent, Harrow & Hillingdon LIFT Plus 10 PPP projects in Australia, Canada, Italy, France, Belgium & Ireland	50	International Public Partnerships (listed on London Stock Exchange, registered in Guernsey)	100.0	n/a	Babcock & Brown Public Partnerships AR 2008 Project Finance June 2009
Telereal Trillium (William Pears Group of Companies Limited)	Sells 10% equity stake in Trillium Investment Partners PPP – renamed Semperian PPP Investment Partners	108	Semperian PPP Investment Partners: Victorian Funds Management Corporation (Australia) and Transport for London Pension Fund (had 29.1% stake in 2015)	10.0	115.0 estimate	Property Week 30/1/2009 Telereal Trillium 2009
Land Securities Group plc	Sale of Trillium property group including Land Securities remaining 10% equity in Trillium Investment Partners PPP	108	Telereal Trillium	10.0	113.5	Land Securities RN 8/1/2009 AR 2009
Infrastructure Investors I2 LP – Barclays acquire Societe Generale Bank, France, (31.7%), 3i (31.7%) and Fleming Family & Partners (4.9%) stakes	Barclays Bank buys out Societe Generale and 3i shareholding in the I2 fund.	84	Barclay Integrated Infrastructure Fund (Barclays Bank plc)	68.3	558.6	Barclays Capital Press 9/1/2009, Financial News 13/1/2009 3i Infrastructure plc AR 2009 p7 and 8. Private Equity News 12/1/2009. Reuters 11/10/10
Macquarie Communications Infrastructure Group (Macquarie Group, Australia)	Airwave (50.0%) – national police and emergency communications, plus other assets Arqiva (48%) communications infrastructure and media services Broadcast Australia (100%)	2	Canada Pension Plan Investment Board	100.0	733.0	CPPIB Press 30/3/2009
2008						
Halifax Bank of Scotland	PFI projects and one infrastructure fund investment. Includes schools in Newcastle, Edinburgh, Aberdeenshire, Lancashire, Fife: housing in Leeds, Camden & Islington; Various hospitals, health centres and police stations, plus a 20.0% stake in Trillium PPP Investment Partners Limited with portfolio of over 80 projects.	47	Pension funds of 4 ‘well known UK companies’	49.9 (HBOS retains 50.1)	217.1 Fund valued at 434.3	McGrigors Law Press 10/12/2008, Times 7/12/2008 Investing in Infrastructure, PEI, p223-230
Land Securities Group plc	Land Securities launches Trillium Investment Partners, a PPP Joint Venture in March 2008 with £1.1bn	100 est	Trillium Investment Partners (Land Securities Group	90	851.9 (399.6 from	Land Securities Press 18/3/2008 Land Securities

	capital – equity partners HBOS (Uberior Infrastructure), Victorian Funds Management Corporation (Australia), Bank of Ireland, Transport for London Pension Fund, Lioyds TSB, London Pension Fund Authority and Daily Mail		plc retains 10%)		sale of equity & 414.8 raising debt against assets) plus 37.5 profit on disposal	AR 2008 p17
Babcock Brown Public Partnerships	LIFT Cos East London LIFT Company Ltd Dudley Infracare LIFT Ltd Oxford Infracare LIFT Ltd Bristol Infracare LIFT Ltd Bexley, Bromley & Greenwich LIFT Ltd Brent, Harrow & Hillingdon LIFT Ltd Healthcare Improvement Partnership (Wolverhampton & Walsall) Ltd	7	Ashley House plc		14.0 plus 8m shares in Ashley House plc	Edison Investment Research 06/09/08 Investigate 19/05/08
2007						
Ebbgate Investments and Seddon Group Limited	Lancaster Health Surrey Health	2	Equitix Limited and Equitix Holdings Limited registered by CS Capital Partners III LP	100.0	6.7	Equitix Limited AR 2007 and Equitix Holdings Limited AR 2007
Mill Group Limited	Land Securities buys out Mills Groups 50% stake in Investors in the Community Fund joint venture formed in 2006	10	Land Securities Group plc	50% of joint venture	7.4	Land Securities Press 28/02/2007
PFI Infrastructure Company	Eat Ayrshire Schools (20.0) Midlothian Primary Schools (50.0) Argyll & Bute Schools (50.0) Stobhill & Victoria Hospitals Glasgow (25.0) Edinburgh Schools PPP1	22	Infrastructure Investors LP (Barclays, Societe Generale and 3i joint venture)	100.0	156.0 (May) valued at 104.0 at end of 2006	Quayle Munro Holdings plc had 1.2m shares in PFI Co at cost of £2m and received £3.7m from Infrastructure Investors (QM Press 2006)
Star Capital Partners, Halifax Bank of Scotland, AMP Capital Investors	Secondary Market Infrastructure Fund PPP projects	79	Land Securities Group plc	100.0	914.6 (517.0m cash & 397.6m net debt repaid)	Land Securities AR 2008 p101 STAR Capital Partners News 22/12/06
Building Better Health LIFT Partnerships (Remin Limited – subsidiary of William Pears Group - & Building Better Health Holdings Ltd (Jersey). Renova – William Pears Group	South London LIFT Health Partnership (Lambeth, Southwark & Lewisham) (60). South West London Health Partnerships (Merton, Sutton, Wandsworth, Richmond, Kingston & Croydon) (60). West London Health Partnership (Ealing, Hounslow, Hammersmith & Fulham) (60). Renova Developments (Knowsley, Halton, St Helens & Warrington) (60)	4	Fulcrum Infrastructure Group Limited (Meridiam Infrastructure Finance s.a.r.l (Luxembourg). Fulcrum Infrastructure Group Holdings Ltd (Jersey) dissolved 2013.	60	n/a	Fulcrum Infrastructure AR 2007 & 2015. Remin Ltd AR 2006 LIFT companies AR 2006 & 2015
2006						
Mill Group Limited	Joint Venture formed by Mill Group's existing Investors in the Community Fund with Land Securities plc	10	Trillium (Land Securities Group plc)	50%/ 50% joint venture	20.0	Land Securities Press Release 31/01/2006 and 11/01/2005
2005						
Infrastructure Investors I2 LP (Barclays Bank, Societe Generale and 3i)	Barclays Banks and Societe Generale jointly established fund in 2003. In 2005 3i joined the fund via an equity shareholding.	31	3i Group	33.3	150.0	3i Group Press 21/6/2005 3i Group AR 2006 p28 Times 21/6/2005 Reuters 11/10/10
2004						
Noble PFI Fund 1 LP and Noble PFI Fund 2 LP and several	St George's Hospital Tooting Kings College Hospital, London Wansbeck Hospital, Northumberland (14%)	18	Barlay's Private Equity and Societe Generale joint venture	100.0	n/a	Noble PFI Fund Limited and subsidiaries Annual Reports

subsidiaries 23/07/04	Dumfries & Galloway Acute & Maternity Hospital (14.0) Bodmin Hospital (17.0) Luton & Dunstable Hospital (St Mary's Wing) (14.0) Castlehill Hospital, Hull & East Yorkshire NHS Trust (14.0) Bury LIFT health centre (17.0) East Lothian Schools (13.5) West Lothian Schools PPP1 (13.5) Highland Schools PPP1 Paragon Schools, Dudley Sheffield Group Schools Phase 2 Caerphilly BC Schools (14.4) Inverness Airport Secure Training Centre, Milton Keynes Mental Health Facilities, Newham (17.0) Perth & Kinross Council Offices Acquired assets of Edison Capital In 2001. Grosvenor House Group plc acquired a 12.5% stake in Noble PFI Fund for £4.0m in 2003					2000-2004. Dundas & Wilson, News, January 2003
2003						
Grosvenor House Group plc 02/01/2003 "A profit on disposal of £1.05m was generated"	Equity investment in Noble PFI Equity Fund	n/a	n/a	12.5	3.8	Dundas & Wilson, News January 2003 Grosvenor House Group plc Annual Report to 31 August 2003
Babcock Brown Limited (Australia) and Abbey National plc	Secondary Market Infrastructure Fund formed in 2001 with 23 projects valued at £120m	23	Star Capital Partners, Bank of Scotland and AMP Capital Investors	100.0	120.0	Star Capital Partners News 18/12/03, Financial News, 05/05/2003, Public Private Finance, July 2006
Sub total 33		**1,151**			**7,364.4**	
	Estimated cost of 6 transactions (115 projects)				*736.0	
Total					**8,100.4**	

Sources: Company Announcements to the London Stock Exchange and Press Releases; PPP In-Depth No. 6, 2006; PPP Bulletin, The Second Age of PFI, Collins Stewart, May 2004; Infrastructure and Secondary Market Fund websites; PPP Wealth Machine: UK and Global trends in trading project ownership (2012);

* See Table 5

Sources and references

Sources

Information for each secondary market transaction had to be compiled from several sources. In addition, tracking the equity of ownership of individual projects frequently involved tiers of investment and holding companies. The sources used included:

- Stock Exchange Announcements/Regulatory News Service
- Company press releases
- Company Interim and Annual Reports and Accounts
- UK Companies House annual returns and reports (https://beta.companieshouse.gov.uk)
- Jersey, Guernsey and Luxembourg company registers
- Infrastructure fund websites
- Construction and PPP company websites
- HM Treasury annual PFI current projects data 2011-2015
- Scottish Government PFI and NPD projects 2015
- National Audit Office PFI reports
- PPP, financial, construction and infrastructure journals
- ESSU PPP Equity Database 2012 and 2016 update (forthcoming)
- PPP Wealth Machine: UK and Global trends in trading project ownership, Appendix 3 (2012)

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