

## £2bn secret profits on PFI gravy train: Public-sector projects are massive money spinner

By [KIRSTY WALKER](#)

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Private companies have pocketed profits of more than £2billion under the controversial private finance initiative scheme, a report estimates.

More than 700 hospitals, schools, prisons and other public sector projects have been built under PFI schemes, funded by the taxpayer.

Around £200billion has been given to the private firms managing the projects during the past 20 years.

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**More than 700 hospitals, schools, prisons and other public sector projects have been built under PFI schemes, funded by the taxpayer**

And research into 154 schemes shows companies have enjoyed 'astronomic' profits averaging more than 50 per cent.

This has been achieved by selling and reselling many contracts in a secretive 'secondary market' – with none of the proceeds returned to the taxpayer.

Critics argue that poorly-negotiated contracts have been a licence to print money for private firms, but a terrible deal for taxpayers.

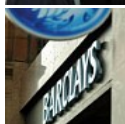
The scale of the profits has been a closely guarded secret by the companies involved.

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But Dexter Whitfield, from the European Services Strategy Unit think-tank, scoured company reports and stock exchange notices to uncover the figures.

Analysing a sample of 154 projects, he found profits of more than £500million.

If the same level of profit had been achieved by all PFI equity transactions, he estimates private sector profits would stand

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at £2.2billion.

Mr Whitfield found that firms involved in the building of major hospitals have enjoyed the highest average profit margins, at 66.7 per cent.

In contrast, the profit levels of major construction companies over the past six to seven years have been just 2.8 per cent.

He also found that the Treasury is failing to monitor the excessive profits from the selling- on of PFI equity.

Mr Whitfield said: 'It's a wealth machine. It's not necessarily printing money, but it's virtually that.

'The profit levels are quite astronomical. Government monitoring of the sale of equity in public-private partnership companies is inadequate, infrequent and underestimates the scale of transactions.'

The Government is looking at ways to make savings from PFI contracts.

One cabinet minister told Radio 4's File on 4, for which Mr Whitfield carried out the research, that the firms involved have been 'laughing all the way to the bank'.

And Labour MP Margaret Hodge, chairman of the public accounts committee, said: 'There has to be transparency around the system

so that if there is some profit over time in the funding of these PFI contracts, that profit can be shared between the taxpayer and the private investor.'

PFI schemes were started by the previous Conservative government under John Major in the early Nineties.

**Transparency: Labour MP Margaret Hodge said: 'There has to be transparency around the system'**

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However, they mushroomed under Labour, with Gordon Brown, as the then Chancellor, using them as a way of meeting his own public borrowing rule

Under PFI, private firms build, operate and maintain public facilities under contracts lasting as long as 35 years.

The public sector will spend more than £8billion on PFI contracts in 2011/12 alone.

But the arrangement has been criticised as too generous to private contractors.

One hospital was reported to have been charged £333 by a PFI firm to change a lightbulb, while a school was charged £300 for an electrical socket.

A Treasury spokesman admitted the information it held was incomplete.

'The Treasury collects and updates data biannually from departments on changes of PFI share ownership, and this information is published on our website,' she said.

'We now have some form of equity holder information on around 81 per cent of PFI projects.'

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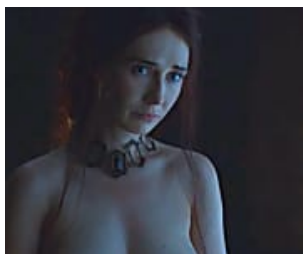
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