

## **NEW GMB STUDY REVEALS PFI DEBTS OF £8,400 PER TAXPAYER AND UNION CALLS FOR MORATORIUM ON NEW PFI PROJECTS**

**In total taxpayer will pay £250bn which four times the £64bn value of the assets built in 641 projects shows GMB study**

A new GMB study of 641 PFI projects reveals that British taxpayers are locked into £250bn of payments on PFI assets worth only a quarter of that sum (£64bn). Most of this cost does not appear on the public-sector balance-sheet.

The UK as a whole now has 641 PFI projects, with more than a 100 new projects in the pipeline. In total, the public purse will be hit for £250bn, four times the value of the assets built (£64bn). British PFI debt is equivalent to £8,400 per taxpayer. And the debt mountain is likely to grow further, as private contractors demand above-inflation returns. The National Audit Office and the House of Commons Public Accounts Committee have found price hikes of up to 14%.

A regional breakdown, based on the latest Treasury figures, shows that Scotland is making the biggest overall loss. It has debts of over £30bn on PFI assets worth £6bn. That is equivalent to a PFI bill of £12,000 for every Scottish taxpayer. See notes to editors below for regional breakdown.

Wales meanwhile has the biggest debt balloon: it owes over 600% the value of its PFI assets.

In England, the North East has the highest PFI debt ratio at 553%, with the West Midlands at 550% and Eastern England at 527%.

The South East of England stands to lose nearly £23bn on its 53 PFI projects, the West Midlands £16bn, and London and the North West over £14bn.

The £5.3bn PFI debt in Northern Ireland is equivalent to £7,325 per taxpayer.

Under PFI, money for new public assets such as schools and hospitals is raised by private consortia instead of the public sector.

Private companies design and construct the buildings and then lease them back to the public sector. They also add in charges for service provision, such as maintenance, catering and cleaning.

Public agencies pay an annual sum to the private consortia for the lifetime of the contract, which can last as long as 35 years.

PFI costs are higher than normal public finance. Private firms cannot raise funds as cheaply as the Government, and the recession has increased the cost of private-sector borrowing.

**GMB National Secretary for Public Services Brian Strutton said: “This research shows what a terrible deal PFI is for taxpayer. Rising debt levels are forcing hard-hit public agencies to cut services.**

**The public is paying over the odds on PFI projects, with debt ratios in most areas at over 500%. This is like paying for schools and hospitals by credit card.**

**Exorbitant costs are creating a PFI funding black hole of £250bn that many hospital trusts and other public bodies are already finding impossible to fill. It's a bill for £8,400 for every taxpayer in the land.**

**We need to return to sound public-finance investment in public-sector projects. GMB calls on all the political parties to join us in declaring PFI bankrupt. We should stop any more PFI deals and bring others back into the public sector to relieve the taxpayer of the huge potential cost.”**

Ends

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**Notes to Editors:**

The table below shows regional rankings by PFI debt per taxpayer.

<i>Debt per taxpayer</i>						
	Region	No. of PFI contracts	Capital value <sup>1</sup>	PFI debt incurred <sup>2</sup>	Number of taxpayers*	PFI debt incurred per taxpayer
1	Scotland	98	£6,125,120,000	£31,242,310,000	2,510,000	£12,447.14
2	London	90	£25,310,790,000	£39,540,710,000	3,600,000	£10,983.53
3	North East	46	£1,983,320,000	£10,974,730,000	1,220,000	£8,995.68
4	West Midlands	44	£3,541,340,000	£19,466,310,000	2,500,000	£7,786.52
5	N. Ireland	33	£1,360,620,000	£5,281,250,000	721,000	£7,324.90
6	South East	53	£5,590,520,000	£28,519,580,000	4,240,000	£6,726.32
7	North West	55	£3,342,550,000	£17,541,450,000	3,180,000	£5,516.18
8	Yorks & Humber	48	£3,023,550,000	£12,894,870,000	2,380,000	£5,418.01
9	South West	46	£2,470,290,000	£12,898,210,000	2,530,000	£5,098.11
10	East Midlands	36	£1,990,460,000	£10,328,780,000	2,120,000	£4,872.07

11	East of England	32	£2,464,330,000	£12,996,300,000	2,790,000	£4,658.17
12	Wales	29	£638,010,000	£3,942,340,000	1,360,000	£2,898.78
	National <sup>3</sup>	641	£63,804,650,000	£245,798,700,000	29,151,000	£8,431.91
			(£63.80bn)	(£245.80bn)		

**Sources:**

**1 \* Income tax payers. Source: HMRC net annual income tax receipts.**

**2 <sup>1</sup> Total estimated capital value of PFI properties (Source: HM Treasury, PFI Signed Projects List, April 2009).**

**3 <sup>2</sup> Total estimated unitary charges over lifetime of PFI contracts (Source: HM Treasury, PFI Signed Projects List, April 2009).**

**4 <sup>3</sup> Includes 31 projects overseas or in more than one region (total value £5.96bn; total debt £40.17bn). Source: HM Treasury, PFI Signed Projects List, April 2009.**

GMB's national and regional breakdown is based on HM Treasury's PFI signed projects list, available at [http://www.hm-treasury.gov.uk/ppp\\_pfi\\_stats.htm](http://www.hm-treasury.gov.uk/ppp_pfi_stats.htm).

£250bn is the approximate whole-life cost of all signed PFI projects from 1996–97 to 2047-48. Forward commitments from 2009–10 are £209.08bn.

The House of Commons Public Accounts Committee has found that periodical benchmarking and market testing of PFI services “have in practice increased prices by up to 14%”. It added that “PFI contractors are using these processes to secure price increases and that some authorities are cutting services to pay for them.” The PAC concluded that “faced with price increases, public authorities had to cut back on services in hospitals, including portering, to keep the contracts affordable.” See the PAC report, ‘HM Treasury: Tendering and benchmarking in PFI’ (HC 754), 27 November 2007. Also see the associated National Audit Office report, ‘Benchmarking and market testing the ongoing services component of PFI projects’, 6 June 2007.