



HOUSE OF COMMONS

LONDON SW1A 0AA

Mr Gordon Clarke
Clerk of the Transport Select Committee
House of Commons
2nd Floor
14 Tothill Street
London
SW1H 9NB

Our ref: 01-01/TH

2 April 2016

Dear Gordon

Last year my request for a formal inquiry into the Nottingham Express Transit (NET) Phase 2 extension was rejected. Since then, new evidence has come to light and I would urge the Transport Select Committee to reconsider their decision.

In the last Parliament, the Coalition Government agreed to the construction of the Phase 2 extension. This included the building of a tram line from the city centre to Toton as well as a second line to Clifton. The first of these two lines runs in the main through my constituency, notably through the town of Beeston and Chilwell.

Phase two opened in August 2015 yet a number of issues remain outstanding. In addition to my letter dated 11th September 2015, a copy of which I have enclosed, I would be grateful if the Transport Select Committee would re-consider an inquiry covering the additional following areas:

- The economic and financial evidence that was supplied as part of the original submission to government. I have enclosed a copy of the Treasury Select Committee's evidence from 2012 that suggests the evidence justifying the extension "masked the operational performance of the tram. The Promoters consistently maintained (including at the public enquiry into Phase 2) that Line 1 ran at an operational profit, whereas it can now be clearly seen from the accounts it generates an operating loss." (Transport Select Committee Evidence, Ev W4, Pg 10, Para 1).
- In addition to this, I have met with a considerable number of traders since the opening of the extension. I am concerned that they are not seeing an increase in business. In March 2016, the Financial Assistance Package for businesses affected by the tramworks ended and I fear that few businesses are in a position to continue without the anticipated increase in trade. This is largely the result of Chilwell/High Road being closed off. I fear the promised advertising and publicity of Beeston and the surrounding area following the opening was not sufficient.

Rt Hon Anna Soubry, Member of Parliament for Broxtowe

Constituency Office: 61 High Road, Chilwell, Nottingham, NG9 4AJ

Tel: 0115 943 6507 E-mail: anna.soubry.mp@parliament.uk Website: www.annasoubry.org.uk

- A great deal of individual issues remain outstanding. The snagging process was due to be completed in February 2016 however, we are now in April and I alarmed that I continue to see snagging issues being raised at my surgeries. I would be happy to provide details if an inquiry was granted.

In addition to these points, there have been an alarming number of cycling accidents along Chilwell/High Road that are a direct result of the cycling route provided as part of the tramworks. I recently met a 70 year old constituent who had an almost fatal accident because of the dangerous cycling route.

Since I raised this issue, I have been contacted by almost 50 constituents who have had cycling accidents along this particular stretch of road. I am not satisfied that the current cycling route was designed in the best interests of cyclists. I am currently campaigning for the route to be made safer and following a recent safety audit conducted at my request, a considerable number of changes are due to be made this month. The fact that changes are required to be made so soon after installation, and at public expense, is deeply concerning.

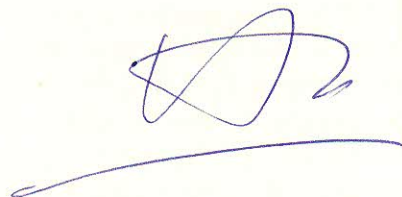
I have also contacted local NHS services to ask for statistics relating to cycling accidents involving trams/tramlines, as I fear this is more widespread, given the number of constituents who have contacted me:

- Nottingham University Hospitals Trust have identified 256 attends at the Emergency Department since 2010 with 90 of these occurring since 1st February 2015.
- East Midlands Ambulance Service have recorded 12 cycling accidents along Chilwell/High Road since 2013. All of these have been linked to the tram/tramlines and have resulted in an ambulance attending the scene *and* hospitalisation.

In recent months there has been much speculation about further extensions to this tram network, with some of the proposed plans impacting further on my constituency. I am not convinced that any further work should be commissioned on these plans until a thorough and independent inquiry has taken place. It cannot be right that a project that was delayed by 12 months and is considerably over budget could be expanded further without real and independent scrutiny.

I would be extremely grateful if the committee would reconsider my request and, as such, I have copied members in to this letter. My team and I standby to assist the committee should my request be granted.

with all good wishes



Rt Hon Anna Soubry MP

- Enc.** Letter from Rt Hon Anna Soubry MP to Transport Select Committee dated 11th Sept 2015
Copy of Treasury Select Committee Evidence relating to NET Finances dated 2012
Letter from Rt Hon Anna Soubry MP to Transport Select Committee dated 3rd July 2015
Letter from Rt Hon Anna Soubry MP to Transport Select Committee dated 19th Jan 2015



Cc. Louise Ellman MP (Chair)
Robert Flello MP
Mary Glindon MP
Karl McCartney MP
Stewart Malcolm McDonald MP
Mark Menzies MP
Huw Merriman MP
Will Quince MP
Iain Stewart MP
Graham Stringer MP
Martin Vickers MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Mr Gordon Clarke
Clerk to the Committee
Transport Committee
House of Commons
London
SW1A 0AA

Our ref: 03-09/TH

11 September 2015

Dear Mr. Clarke,

Nottingham Express Transit (NET) Phase Two Project

Following the recent opening of the Nottingham tram network extension in to my constituency, I am writing ~~to~~ formally to request the Transport Select Committee inquire into the Phase Two project.

Prior to the General Election, I contacted the members of the Transport Select Committee asking they inquire as to why the project was delivered so late and with so much disruption to the lives of the residents, small businesses and commuters. I am very keen to ensure we learn the lessons from this project to the benefit of all future infrastructure projects. I believe an inquiry will also assist Nottingham and other cities who are considering extending their existing systems and will assist other parts of the UK who are considering a Tram system.

I respectfully request that the committee address the following:


- The need to make sure local people are properly consulted and support a project before the works commence.
- Ensure that arrangements are in place to guarantee that there is full accountability to residents and businesses, along with lines of communication between authorities, contractors, residents and businesses, particularly when a project is commissioned by one local authority but will mainly impact on another.
- Ensure that the right route is achieved by identifying the primary functions of an infrastructure project; objectives should not be contradictory.
- Make sure businesses and residents are properly compensated for any disruption. This may need central government compensation guidelines to be altered.
- Ensure there is proper management of a project which includes thorough communication with everyone affected.
- There must be comprehensive surveying of utilities and proper consultation with utility companies so the construction can be expedited with maximum efficiency.

Rt Hon Anna Soubry, Member of Parliament for Broxtowe

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I have no doubt any inquiry by your committee would add considerable value to future infrastructure projects, as I am very keen we learn lessons for future projects.

Yours sincerely,


Rt Hon Anna Soubry MP

Cc. Louise Ellman MP, Chair, Transport Select Committee

Rt Hon Anna Soubry, Member of Parliament for Broxtowe
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HOUSE OF COMMONS
LONDON SW1A 0AA

Louise Ellman MP
Chair
Transport Select Committee
House of Commons
London
SW1A 0AA

Our ref: BR15673/AP

3 July 2015

Dear Louise,

RE: Nottingham Express Transit: Phase Two Project

I would like to add my congratulations to the many others you will have received following your re-election as Chair of the Transport Select Committee and my best wishes for your appointment.

As discussed prior to your election, I wrote to all members of the Transport Select Committee in January regarding the tram works in my constituency which have caused considerable disruption.

I have enclosed a copy of my original letter and I would be very grateful if the Transport Select Committee when all members have been elected, could consider my request for an inquiry into the NET Phase Two project.

Yours ever,

Anna Soubry MP

Enc. Letter to Transport Select Committee, 19th January 2015.



HOUSE OF COMMONS
LONDON SW1A 0AA

Louise Ellman MP
Chair
Transport Select Committee
House of Commons
London
SW1A 0AA

Our ref: BR15673/AP

19 January 2015

Dear Louise,

Nottingham Express Transit: Phase Two Project

Thank you so much for spending time with me to discuss the extension of the Nottingham tram network into my constituency. This is a formal request for the Transport Select Committee to inquire into Phase 2 of the NET tram system.

I have no doubt that your committee could enquire as to why this project is being delivered so late and with so much disruption to the lives of ordinary residents, small businesses and commuters. I am also very keen to ensure that we learn from this extension to the benefit of all future infrastructure projects.

I would respectfully request that the committee address the following:

- The need to make sure local people are properly consulted and support a project before works commence.
- Ensure that arrangements are in place to guarantee there is full accountability to residents and businesses along with lines of communication between authorities, contractors, residents and businesses, particularly when a project is commissioned by one local authority but will mainly impact on another.
- Ensure that the right route is achieved by identifying the primary functions of an infrastructure project; objectives should not be contradictory. For example it is undoubtedly right to take passengers out of cars and off public roads, but an overly long route can defeat this objective.
- Making sure businesses and residents are properly compensated for any disruption. This may need central government compensation guidelines to be altered.

Anna Soubry, Member of Parliament for Broxtowe
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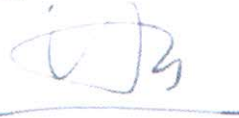
- Ensuring there is proper management of a project which includes thorough communication with everyone affected.
- There must be comprehensive surveying of utilities and proper consultation with utility companies so that construction can be expedited with maximum efficiency.

In principle, I am in favour of the further extension of the Nottingham tram network (although I appreciate that there are strong arguments as to whether trams represent good value for tax payer's money) however lessons must be learnt from the current project before any future scheme is considered.

I have no doubt any inquiry by your committee would add considerable value to future infrastructure projects which should not suffer the delay and disruption that has blighted Beeston, Chilwell and Toton.

The tram line is due to open after the General Election; I suggest your enquiry should start once the tram is running towards the end of this year.

Yours ever,



Anna Soubry MP

Cc. Members of Transport Select Committee;
Secretary of State for Transport, Rt Hon Patrick McLoughlin MP

Transport Committee

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Rt Hon. Anna Soubry MP

House of Commons

London

SW1A 0AA

15 October 2015

21 OCT 2015

Dear Anna

Re: Nottingham Express Transit (NET) Phase Two Project

Thank you for your letter requesting that the Transport Select Committee hold an inquiry into Phase Two of the Nottingham Express Transit project. I am sorry for the delay in providing you with a response.

Your request was circulated to members of the Committee on 2 September in advance of the Committee's meeting on 7 September. The Committee has agreed a number of inquiries and one off evidence sessions; I'm afraid the Nottingham Express Transit was not one of them. More recently I have again discussed your request with the Committee's Chair. She has asked me to draft proposals for the Committee's work after it has completed its busy Autumn schedule. I will ensure that your proposal is drawn to the Committee's attention when it next considers its future programme. It is possible that it might cover the Nottingham express transit programme as part of a wider inquiry into the issues surrounding light rail projects.

I will continue to monitor developments in this area of transport policy closely and will ensure that you are kept informed about any work that the Committee might decide to undertake.

Thank you for your interest in the work of the Transport Committee.

Yours sincerely,



Gordon Clarke

Clerk of the Transport Select Committee

Cc: Louise Ellman MP, Chair, Transport Select Committee



House of Commons
Treasury Committee

Private Finance Initiative

Seventeenth Report of Session 2010–12

Volume II

Additional written evidence

*Ordered by the House of Commons
to be published 17 May and 18 July 2011*

* Attached are copies of pages 8-13 which identify
Some very serious concerns regarding the finances of
Nottingham Express Transit and the Tram operators.

various stages of development. This could mean overcapacity, something already seen in some European countries. A past president of the Chartered Institution of Waste Management thinks the UK has benefited from not currently having too many EfW plants in operation, saying, "It has been useful in having Kyoto targets and also funding mechanisms for projects. But, in some ways we have avoided the problems that the Germans and Dutch are facing, ie over-capacity as far as their EfW facilities are concerned. In the UK we have the possibility of other options in developing other sustainable sources of energy as well, such as biofuels rather than just incineration".

18. Perhaps this view is over-optimistic—there is a risk that PFI could kill other options. An immediate decision to remove PFI support for incineration would reduce this risk and save the taxpayer £billions.

Implicit and explicit state guarantees

19. Ultimately the public sector wants the project to do the job intended. Hence, if the contractor faces real difficulties in meeting the PFI terms the state may bail them out in some way. Hampshire overestimated waste volumes, resulting in the construction of three large incinerators. The original planning consents allowed only waste from within Hampshire to be burnt. However, the high capital cost means incinerators need a high load factor and hence an adequate and regular supply of waste. By April 2006 Hampshire's incinerators were being topped up with residual waste material from household waste recycling centres. By October 2009 BBC Radio Solent reported that Veolia (who run Hampshire's incinerators) was asking Hampshire to allow importing waste from surrounding counties. Today, despite local opposition, it is obliged to import waste from outside Hampshire to remain fully operational. There is now a risk that the Hampshire Council Taxpayers could be penalised due to the inaccuracy of the original project figures.

20. Transfer of risk is considerably less than it might appear. Also, if the project is too big or too important to be allowed to fail, there may be an implied guarantee of the project, or even the PFI partner.

When are PFI deals suitable?

21. PFI typically leads to long-term contracts which offer benefits to the private sector supplier(s) but lock the public sector into facilities and services that may become obsolete or uncompetitive during their lifetime. This is especially true in fast-developing fields where there are a number of competing choices, rendering PFI unsuitable in such fields. PFI shouldn't be allowed to stifle the possibility of innovation and development and the concomitant benefits.

22. PFI is suitable only for long-term capital projects (eg offices) where innovation appears slow and for any development which can be properly future-proofed. For the latter, risk must genuinely lie with the private sector.

CONCLUSIONS

23. PFI typically leads to long-term contracts which offer benefits to the private sector supplier(s) but lock the public sector into facilities and services that may become obsolete or uncompetitive during the lifetime of the contract. PFI is costly, leaves too much risk with the public sector, makes management of the quality of service delivery unnecessarily difficult and stifles technical innovation. The practice of PFI debt being off-balance sheet leads to lack of transparency about the scale of debt and may have led to unsuitable projects proceeding. PFI is unsuitable for many large projects by LAs. Government should take a decision that waste incineration will no longer be supported by PFI. This includes any projects for which approval has been given but construction work has not yet started.

April 2011

Written evidence submitted by Nick Collard

1.0 MANAGEMENT SUMMARY

1.1 Introduction

1.1.1 The attached paper sets out issues related to inadequacies in PFI methodology as applied to a specific PFI project, Nottingham Express Transit (NET) Line 1 and the proposed Phase 2 extension. Although the points raised are specific to this PFI project, they may also be applicable to other projects.

1.1.2 In this instance PFI has not delivered value for money, but despite this the Phase 2 project seems to be going ahead. However Phase 2 has yet to receive final approval from the PFI Project Review Board and should not be given approval until a new funding structure for PFI can be agreed, incorporating the issues and recommendations set out below.

1.2 Summary Issues and Recommendations

Summary issues and recommendations are set out below and provided in more detail in the attached paper.

1.2.1 Issue 1—Lack of tie in of PFI credits to promised benefits

Recommendation 1—PFI credit payments should only be made by Central Government dependant upon monitoring and achievement of the benefits set out and promised in the original business case. In the case of NET this would be hitting patronage mileage targets.

1.2.2 Issue 2—Lack of Clarity in Special Purpose Vehicle (SPV) Accounts

Recommendation 2—A consistent reporting format should be adopted to distinguish between PFI credits and other income. Also costs, for the benefit of the SPV but borne by other entities, should be disclosed in the SPV accounts.

1.2.3 Issue 3—Incorrect Prioritisation of Infrastructure Requirements

Recommendation 3—PFI activities should be treated as *on balance sheet* and considered along with all other projects with the associated cost/benefit cases. This will ensure a level playing field exists and projects do not get priority simply because of an accounting treatment.

1.2.4 Issue 4—Willingness to extend PFI contracts without a full evaluation of existing PFI performance

Recommendation 4—A full review of any existing investment should be undertaken before providing additional funds.

1.2.5 Issue 5—Willingness to accept business cases in isolation for PFI extensions rather than comparing to existing performance

Recommendation 5—Any new business case should be compared to existing performance of the nearest equivalent service. This is especially important in the case of a business case to expand or extend an existing PFI project, which may not be performing well.

1.2.6 Issue 6—Willingness of government to increase PFI credit levels because of funding rate increases

Recommendation 6—If funding rates increase projects should be re-evaluated; credits should not simply be increased to allow projects to proceed. Allowing projects to proceed in this scenario seems directly opposite to the government objective of reducing the national debt and the interest burden thereon.

2.0 FURTHER INFORMATION

2.1 Background

2.1.1 NET is a single line tram structure operating within Nottingham funded by PFI credits from central government (NET Line 1).

2.1.2 The PFI credits are paid to both Nottingham City and Nottingham County Councils, these are then paid by these Councils to Arrow Light Rail Limited (the special purpose vehicle set up to operate the tram system) based on availability performance.

2.1.3 Arrow Light Rail also receives farebox income from customers to cover the operating costs of the tram system.

2.1.4 Nottingham City and Nottingham County Councils are the Promoters of the current Line 1, although the County Council has expressed its intention to withdraw from this operation.

2.1.5 Both Councils initially promoted an extension to this system, NET Phase 2. However the County Council has now formally withdrawn as a Promoter leaving the City solely responsible for Phase 2. Phase 2 is to be funded via PFI and the new PFI agreement will include a re-financing of NET Line 1.

2.2 Issue 1—Lack of tie in of Concession to Business Case

2.2.1 The operation of the tram network is mainly funded by the payment of PFI credits based on the timely operation of the network. The balance is funded by farebox income.

2.2.2 For Phase 2, 96% of the benefits put forward in the Public Inquiry business case relate to getting people onto the tram. By tying PFI availability payments to punctuality rather than patronage there is no direct link between the benefits put forward and the authorisation of PFI payments made by central government.

2.2.3 For NET Line 1 passenger mileage targets were missed by 28% in the 12 months to end March 2010 (see 2.5.1), therefore it is key that any PFI payments made are linked to the outcomes put forward to support the business case, in this case patronage levels.

2.2.4 There is a very limited risk to the Concession because of the farebox income. However this small risk will not deliver the benefits required.

2.3 Issue 2—Special Purpose Vehicle (SPV)

The use of SPVs to operate PFI structures can lead to many concerns.

2.3.1 In the case of Arrow Light Rail Limited there are several key issues.

1. Up until the 2009 accounts Arrow failed to split income between farebox income and PFI payments.

This masked the operational performance of the tram. The Promoters consistently maintained (including at the Public Inquiry into Phase 2) that Line 1 ran at an operational profit, whereas it can now be clearly seen from the accounts it generates an operating loss (Availability Payments 2005–07 are derived from Nottingham City and County Council Accounts).

Operating costs are not covered by Farebox income (see below). It is of great concern that the lack of a breakdown of income prior to the 2009 Accounts led to the Promoters giving incorrect evidence to the Public Inquiry into Phase 2.

2. The accounts disclose that the Concession has also loaned monies to the SPV at a fixed rate of interest of 12.7%. The PFI grants are being used to service this excessive rate of interest.
3. The losses of the SPV are treated differently by different consortium members, ranging from incorporation of the losses in group numbers to a simple note to the accounts. However all recognise the interest income mentioned above.
4. The consortium members can charge or not as they see fit to try and improve the bottom line result, for example the members stopped charging directors fees in 2007.
5. The heavy advertising promotion of the tram is undertaken by Nottingham City Council (from public funds) and is not passed on to the SPV.

2.3.3 Analysis of Arrow Light Rail Financial Performance 2005–09

	2005 £000	2006 £000	2007 £000	2008 £000	2009 £000
Costs	-8,870	-9,387	-9,831	-9,731	-9,849
Farebox Income	7,070	7,516	7,867	8,186	7,845
Loss on Operations	-1,800	-1,871	-1,964	-1,545	-2,004
Availability Payments	19,813	20,256	20,675	20,924	21,267
Depreciation	-7,593	-7,583	-7,947	-7,483	-7,606
Interest Payments	-16,994	-16,849	-16,681	-16,399	-16,187
Loss on Funding	-4,774	-4,176	-3,953	-2,958	-2,526
Other Income	163	149	157	47	-38
Total Loss	-6,411	-5,898	-5,760	-4,456	-4,568

2.4 Issue 3—Incorrect Prioritisation of Infrastructure Requirements

2.4.1 In the case of Nottingham the most pressing transport project is the widening of the A453 from the M1 into Nottingham. The priority is recorded on the Derbyshire and Nottinghamshire Chamber of Commerce website. Widening the A453 also has all party support.

2.4.2 The cost of this development is between 1/3 and 1/4 of NET Phase 2, however the A453 was put on hold for at least the second time at the latest spending review. Indeed Net Phase 2 did not make the top three regional priorities.

2.4.3 NET Phase 2 is only wanted by Nottingham City Council, the County Council has withdrawn, considering the project too risky, and expensive. Yet NET Phase 2, costing three to four times more than the Region's most important infrastructure need, gets the go ahead simply because of PFI. It will also just serve the population along the tram corridor rather than the significantly greater number of people using the A453.

2.5 Issue 4—Willingness to extend PFI deals without due consideration of initial PFI performance

2.5.1 In the case of NET Line 1 there has been considerable shortfall both in terms of patronage targets (set out below) and farebox income levels (as shown in 2.3.3 above).

	Target	Latest	Shortfall	Shortfall %	Increase to hit target %
Number of Passenger Journeys (million per annum)	11.0	9.0	2.0	18	22
Average Journey Length (Kilometres)	4.9	4.3	0.6	12	14
Passenger Kilometres Travelled	53.9	38.7	15.2	28	39

2.5.2 Freedom of Information requests have confirmed that there has been no formal evaluation of Line 1 performance against the initial business case. A need to improve on throughput by 39 % to meet target should set alarm bells ringing.

2.6 Issue 5—Willingness to accept business cases in isolation for PFI extensions rather than comparing to existing performance

2.6.1 In the case of NET phase 2 the business case assumes an effective doubling of the operational performance of Line 1. Simple ratio analysis shows this.

2.6.2 As shown in point 2.3.3 the ratio of farebox income to operating cost (after 6 years of operation) is 0.80. The Public Inquiry business case for Phase 2, in isolation, over its lifetime shows a ratio of 1.49, this is a near doubling of performance (see attachment 1).

2.6.3 The patronage levels these revenues are derived from are also highly questionable. The initial business case for Phase 2 was produced at around the same time as the introduction of NET Line 1. The case was then consistently re-modelled (upwards) to produce the final patronage levels in the final Public Inquiry business case (see attachment 2).

2.6.4 This re modelling was undertaken totally in isolation from the actual performance of Line 1 which has shown a significant underperformance against target over its life. Indeed it is 28 % short of its passenger kilometre target.

2.6.5 Taking the patronage levels in the final case for Line 1 and the initial case for Phase 2 as 100% (as a constant point from which performance can be assessed over time) it can be seen that Line 1 now sits at 72% (using the 28% shortfall shown at 2.5.1) and the re-modelling of Phase 2 sits at a minimum of 127%. This again does not make sense; you would expect the re-modelling to take account of actual performance (see attachment 3).

2.6.6 This further lends support to the proposal to tie PFI credits to patronage levels.

2.7 Issue 6—Willingness of government to increase PFI credit levels because of funding rate increases

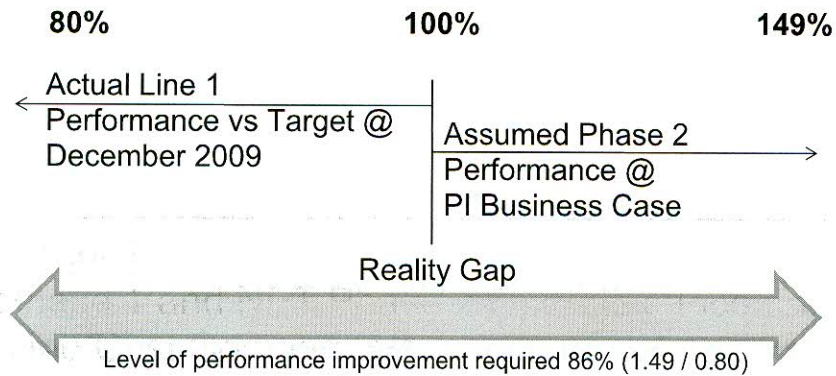
2.7.1 The initial level of PFI credits available to NET Phase 2 was approximately £450 million. After the financial crash this was increased to £531 million. This additional expenditure and debt burden on the public generates no additional benefits, and effectively assumes the risk that the original PFI concept placed with the contractor. This also seems directly opposed to the government objectives of reducing public debt and the interest burden thereon.

2.7.2 The level of credits now proposed is £399 million which has been put forward as a 25% saving. In reality the saving to Central Government is no more than around £50 million compared to the original proposal. A 25% saving should be based on the original award at original rates which would equate to credits approximately of £337 million—an additional £60 million saving should be requested.

April 2011

Attachment 1

NET Phase 1 and NET Phase 2 Operating Income to Operating Cost Comparative



- Comparative is level of farebox income to operating costs.
- 100% was the Target for Line 1 which has never been achieved, the current level is an operating loss of 20%. 149% is the assumed average level of income to cost over the period of the Public Inquiry business case.

Attachment 2

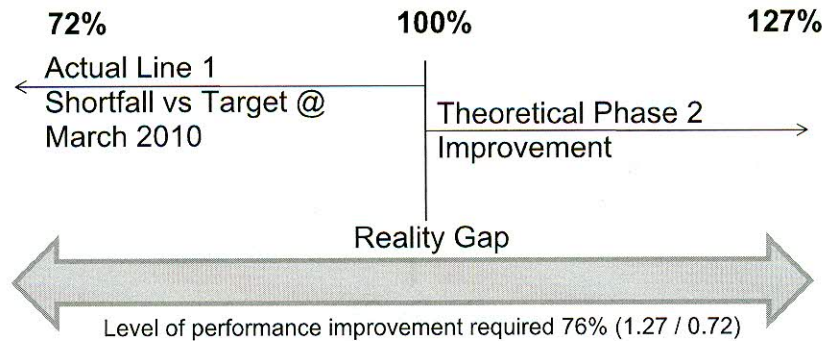
NET Phase 2

Promoters Patronage at Various Dates

Date of Case	Apr 02	Sep 03	2006
Promoters Reference	B1/13	B4	B1/25
Patronage of Phase 2 after approximately 3 years (first full year), million passengers per annum	8.70	10.20	13.00
% increase from 2002		17%	49%
% increase from 2003			27%

Attachment 3

NET Phase 1 and NET Phase 2 Passenger Kilometre Comparatives



- Comparative is how patronage models prepared at approximately equivalent dates have progressed.
- Actual Line 1 kilometre shortfall is 28%, this is a true outcome and should have been used to rebase Phase 2 performance whereas ever increasing passenger volumes has been assumed.
- The 27% increase may be low and understate the performance improvement required. This may need to increase to 49% if 2002 is used as base volume data (see Phase 2 patronage), this would equate to a required performance improvement of 107% ($1.49/0.72$).

Written evidence submitted by the British Medical Association

The British Medical Association (BMA) welcomes the opportunity to respond to the Treasury Committee inquiry into Private Finance Initiative.

The BMA is an independent trade union and voluntary professional association which represents doctors from all branches of medicine all over the UK. It has a total membership of over 144,000. We promote the medical and allied sciences, seek to maintain the honour and interests of the medical profession and promote the achievement of high quality healthcare.

EXECUTIVE SUMMARY

(i) The BMA submission focuses on Private Finance Initiative (PFI) projects in healthcare. Under PFI, the public sector enters into a long term contractual arrangement with private sector companies to design, build, finance and operate an asset such as a hospital. At the end of the contractual period, the buildings then pass to the public sector. The NHS does not make an upfront capital payment but is contractually obligated to pay an annual leasing and maintenance payment to the private sector for the use of the facilities.

(ii) BMA policy has been consistently opposed to the use of PFIs to develop healthcare facilities since its introduction in the early 1990s. The main objections to the use of PFI schemes have been the high cost, associated low value for money, the lack of flexibility that results, and the transfer of public funds into private sector profits. The BMA has significant concerns about their long-term affordability, and their impact on local health economies and service delivery. This is particularly relevant today as huge pressure on public finances sits alongside the Government's current proposals for major structural change and demands for savings from the health service.

(iii) The NHS is being tasked to find efficiency savings of £20 billion by 2014–15, whilst continuing to face the demands of an ageing population and the rising costs of medicines and new technology. Cuts in spending in other areas, such as welfare benefits and social care, will have a knock-on effect on demand in the NHS. However at the same time (during the next spending review period from 2011 to 2014) repayments for NHS PFI projects will reach £4.18 billion, an increase of almost £1 billion from current levels.¹ As a legal contract

¹ Donnelly L and Ball J "Hospital to cut services to pay for £60bn private finance deal". *Telegraph*, 8 August 2009. Available at <http://www.telegraph.co.uk/health/healthnews/5995025/Hospitals-to-cut-services-to-pay-for-pay-60bn-private-finance-deal.html>