



FINANCIAL STRATEGY & Private Finance Initiative

Do PFI's work?

NARRATOR:

As PFI matures, public – private relationships have evolved and partnerships now focus less on 'the project' and more on a long-term programme of activities.

JOHN PILKINGTON:

That demands a different approach to the way the deal is structured, it demands the concept of bringing new monies in from different sources, it demands the idea of, the concept of continuous improvement.

NARRATOR:

Although PFI is in its teens, it is hard to evaluate, as there is still relatively little comparative financial data. But the companies involved have not universally succeeded.

MARCUS DAVSON:

The issues are whether the private sector parties are reaping excess returns and whether the public sector is getting better value for money than it would under the conventionally, centrally funded alternative. On both scores we have to say the jury is out

What we've seen is the private sector parties to these contracts are registering a very wide spread of returns. The political spotlight is on those who have reaped very high returns but we've also had failures. ... Companies who arguably identify PFI as the crock of gold at the end of the rainbow. The only crocks concerned are the companies themselves.

NARRATOR:

In mid-2006 a further £1.5 billion was committed to future projects, primarily in the health sector. But for the partners themselves, the real issue, and the key to success, is how they get along together.

KEITH SEYMOUR:

The analogy I always use is marriage. ... You have a whirlwind romance shortly after the tenders are received, there's a honeymoon period, you spend the dowry and you build a lovely, new big hospital but then you've got to live together, and you've got to live together for a long period.