



FINANCIAL STRATEGY & Private Finance Initiative

Contract Negotiation

NICK CLARKE

Planning a major project, be it PFI or not, involves a heavy workload of complex analysis by all the parties concerned, but it's often the contract negotiations that ultimately determine whether the project goes ahead at all and, if it does, whether it's a success or not. Calderdale NHS Trust have been negotiating their PFI project for over eighteen months now.

HADYN COOK

This whole experience has been quite extraordinary because arguably we started off thinking we were doing a deal with the private sector consortium and we spent a lot of time, for example, agreeing the legal agreement, the legal wording, and so on with them. What we then discover is that the banks have to decide whether they want to fund this scheme and they are choosing which schemes that they want to put money into and, again, try to name their terms. So the danger is, for example, in terms of the change of law risk. At the moment the banks are saying they don't want to face that risk. In a couple of weeks' time we are then going to be embattled with the equity providers who are going to be saying they definitely don't want to take the risk.

DAWN STEPHENSON

All the way through the process the commercial deal changes. You capitulate on one and they capitulate. You think fine, and then they find something else they're not happy about. Sorry, we can't accept that risk, otherwise the price will change. Well we can't afford it, you know, so we spent the whole of the time saying sorry we can't, we can't upset that treasury what have it. And they kept saying well, sorry we can't, we can't accept that, the bankers won't have it or equity.

DAWN STEPHENSON

It was a constant battle, you know, of them trying to get the best out of the schemes and us trying to do the same.

DAWN STEPHENSON

So anybody else that is picking up a PFI, there's a lot of work in it.