Dobson defends use of the PFI for hospital building

Annabel Ferriman *parliamentary correspondent, BMJ*

The health secretary, Frank Dobson, last week defended the use of private rather than public money to fund his department's hospital building programme on the grounds that it got hospitals built faster and allowed capital that would have been spent on hospitals to be spent on other projects, such as replacing old, outdated equipment.

He maintained that if there were any difference in cost between building a hospital with money from the private finance initiative (PFI) and building one with Treasury money, it was marginal. He also claimed that the use of the PFI was not the reason why new hospitals were being built with fewer beds than before.

Mr Dobson was being questioned by MPs from the health select committee about Department of Health expenditure. He said: "A lot of the talk about the private finance initiative gives the impression that the high cost of building a new hospital is a consequence of the PFI. The fact is that new hospitals cost a great deal more money to build than broken down old ones did."

He said that the question as to which was the best way to pay for them was a finely balanced one. He denied that the initiative influenced the number of beds. "All the evidence is that the decision about how many beds a hos-

pital should have is made before it is decided how to finance it."

The committee's chairman, David Hinchliffe, Labour MP for Wakefield, said that his committee had looked at 11 PFI schemes and had calculated that, between them, they would result in a reduction of 2500 beds, which represented a cut of 30%—"a huge chunk of beds."

Mr Dobson replied: "In the decade before the PFI started, 100 000 beds have disappeared. I cannot think of any major hospital development where the number of beds was not reduced." He claimed that the only thing being privatised under the initiative was the cost of overruns and delays.

He thought it significant that many of the schemes being paid for by public money from the Treasury were behind schedule, including schemes at Harrogate and the Royal Sussex Hospital. That was in sharp contrast to all the schemes being built under the private finance initiative, where in at least three of them the NHS was going to have to take over schemes three to six months ahead of schedule.

The initiative had released £350m (\$560m) of public capital, which could be spent on replacing old equipment.

Julia Drown, Labour MP for Swindon South, asked whether, if the PFI schemes had seemed

Edinburgh Royal Infirmary: a PFI scheme in which bed numbers have been cut from 1100 to 869

to be poorer value than publicly funded schemes, more public capital for hospitals would have been made available.

Mr Dobson said that it was always a political decision as to how much public capital should be made available and what the public sector borrowing requirement should be. "But when the government is faced by people in business and the trade unions saying that they would like interest rates to come down, it would be perverse of us not to want to get more private capital into the system, because that affects interest rates."

"People might argue that even if the private finance initiative schemes were not the best value, there was great value in getting hospitals built now, as opposed to getting them built sometime down the line."

Some of the opponents of the PFI were so concerned about the costs of the schemes in 30 years' time that they would

rather that the hospitals were not built, he said.

Several MPs referred to criticisms of the private finance initiative made in four articles in the *BMJ* by Declan Gaffney and Allyson Pollock of University College London, David Price of the University of Northumbria, and Jean Shaoul of the University of Manchester (319:48-51, 116-9, 179-84, 249-53).

Ms Drown asked whether the department was going to review the rate at which NHS trusts had to discount costs of public capital (now 6%), when comparing costs of the private finance option with public sector investment.

Mr Dobson said that that was a matter for the Treasury. He admitted that assessing the assignment of risk was not a science and welcomed the recent change in rules which meant that there was less pressure on trusts, when using the PFI scheme, to transfer responsibility for ancillary staff. □

Scottish doctors call for a moratorium on PFI

Bryan Christie *Edinburgh*

Doctors in Scotland have renewed their demands for a moratorium on schemes to build hospitals using the private finance initiative (PFI) after publication of a leaked letter indicating that financial restrictions have dictated the size of one of the country's flagship projects.

Concern has been expressed for several years that the new Edinburgh Royal Infirmary, cur-

rently being built under the PFI process, will have too few beds to cope with the demands placed on it. Early plans were for a 1100 bed hospital, but that has since been cut back to 869.

The BMA in Scotland has long argued that the reduction in bed numbers is the result of the need for the PFI consortium to have a profit margin, an accusation that has always been denied.

Doctors are now claiming that their view has been vindicated after a local newspaper published a copy of a leaked letter about acute bed numbers written in 1992 by a senior official in the Scottish Office of Department of Health.

Although the letter did not

refer specifically to the Edinburgh Royal Infirmary, it states: "The over-riding requirement is of course to develop a strategy which is affordable in revenue terms." It went on to say that the assumptions being made at that time on bed numbers "would not be affordable" and that "it is reasonable to look for substantial reductions in bed numbers."

Dr John Garner, deputy chairman of the BMA's Scottish council, said: "The government has consistently assured us that the only factor in deciding the size of the new Edinburgh Royal Infirmary was patient need. This letter shows that, from the very start, financial considerations, such as the need to provide a profit to the private operating

consortium, have determined the number of beds. The whole PFI process has been thoroughly discredited, and it is time for the Scottish parliament to ensure this never happens again and declare a moratorium on new PFI deals."

A spokesman for the Scottish executive (the new name for the Scottish government) rejected the BMA's interpretation of the letter. He said that it had nothing to do with the PFI as it had been written before the previous government developed its PFI policy.

"We absolutely reject the suggestion that the number of beds in the new Edinburgh Royal Infirmary has been determined on financial grounds. It is simply not true." □