



Reeves considers Blair-era PFIs to fund new towns

Description

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Rachel Reeves looks into the distance looking contemplative, shadowy, blurred effect around the edges

[Rachel](#) Reeves is reportedly considering resorting to yet-more disastrous Blair-era private finance initiatives (PFIs) to fund Labour's national infrastructure schemes.

The news, published in the [Telegraph](#) comes after the Treasury commissioned the British Infrastructure Taskforce (BIT) to produce a research paper on the potential bonuses of a return to PFI schemes.

The BIT is a [grab-bag of private finance interests](#) including Lloyds Banking, HSBC, Blackrock, Santander, Fidelity International and Phoenix Group.

Completely unsurprisingly, the private financiers were huge fans of the idea of UK public services taking huge loans to pay for public services. The BIT heartily [recommended the use of public-private partnerships \(PPPs\)](#) to fund infrastructure development, such as education and defence, which would usually be taxpayer-funded.

Those PPPs are simply private finance initiatives by another name. The rebrand is wise, given that Blair-era PFIs [were a well-publicised, unmitigated disaster](#). The scheme saddled the NHS with an ever-increasing mountain of debt, which trusts are still struggling to repay to this day.

Reeves considers controversial funding methods

In theory, PPPs would see private investors pay the immediate costs of a given public interest project. Then, the return on that new infrastructure would go to paying back the initial loan.

However, in practice, the actual value of the assets generated have often been meager. Likewise, the interest on the repayments has proven deeply punitive in the past.

A spokesperson for the British Infrastructure Taskforce investors said:

Overall members would support an evolution of the PPP model to be used across wider tax-funded public services such as education, public transport and defence but accept this is outside of the current government policy.

The Treasury insisted that its current policy rules out expanding PPPs in schools and hospitals. However, it's open to using private investment for building projects.

This distinction, however, is deeply disingenuous, given that the government is already using PPPs to build its neighbourhood health centres. Likewise, Labour also permits the use of the "partnerships" to fund decarbonisation initiatives for public buildings.

Government "bringing back the old PFI model"

However, the BIT now wants the government to "bring back the old PFI model" to pay the up-front costs of building entire new towns. Labour has voiced its intention to build 50 new "new towns" settlements, mostly on the peripheries of existing cities. The party aims to begin development on three of the settlements by the end of Parliament in 2029.

A Treasury spokesperson insisted:

The Government is not bringing back the old PFI model. A generation of new towns is an exciting opportunity to create communities at scale, and transform the way that housebuilding is carried out in this country, unlocking economic growth.

We will continue to consider the ways in which private finance can support the delivery of wider infrastructure ambitions including leveraging private finance to help deliver the next generation of new towns.

The investors' research paper claimed the government could avoid the previous errors of the PFI scheme by focusing on infrastructure with a definitive return on the investment, such as toll roads. (Famously popular building project there, toll roads.)

"Saddled with £80bn in repayments"

Meanwhile, the Labour MP for Leeds East illustrated exactly how disastrous Blair-era PFIs have turned out to be.

In [a letter published on social media](#) Richard Burgon congratulated newly-minted health secretary, James Murray, on his appointment.

However, he then moved on in short order to urge Murray to “drop the proposals put forward by the previous health secretary, Wes Streeting, to reintroduce private finance into the NHS to fund new Neighbourhood Health Centres”.

He then went on to note:

Under previous PFI deals, NHS trusts received just £13bn in assets while being saddled with £80bn in repayments. In a letter to Wes Streeting last year, Labour MPs highlighted how NHS trusts continued to pay the price for PFI, with 80 trusts then still owing a combined total of £44bn.

The story was also similar across many UK schools. For example, when [Transform Stoke Schools Ltd](#) “holder of the country’s largest school PFI contract” went into liquidation last year, half of the 88 institutions under its aegis withheld payments over unfinished building and repair work.

“A costly mistake”

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Burton added:

The Government has rightly acknowledged that PFI was a costly mistake. But truly learning the lessons would mean ruling out such private finance schemes, not dressing them up under a different name.

Those words are all the more true “and the lesson more urgent” given the revelations regarding the Chancellor’s turn to PPPs. Beyond that, asking a rogue gallery of private capital whether the scheme is a good call is tantamount to asking Shell whether climate change might actually be a good thing.

Private financiers are motivated purely by the returns they hope to gain on their investment: returns which come directly from the public pocket, with interest. Any similar deal, whether it’s labelled PPP, PFI or otherwise, is against the public interest by its very nature.

Likewise, with Tony Blair [actively sticking his oar into modern Labour politics](#) as if he has anything worthwhile to contribute, we’d all do well to remember his legacy, both [at home](#) and [abroad](#).

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By [Alex/Rose Cocker](#)

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