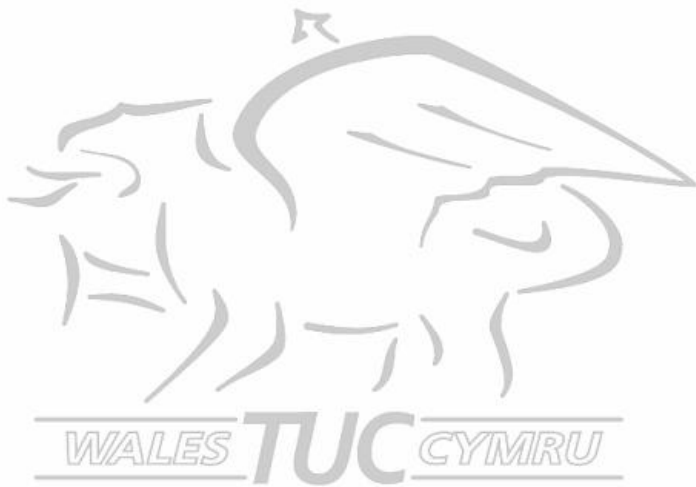


Response to the Assembly Finance Committee Inquiry into Public-Private Partnerships



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Preamble

The Wales TUC is the voice of Wales at work. With over 50 affiliated trade unions the Wales TUC represents nearly half a million workers.

The Wales TUC was established in 1974. It is an integral part of the TUC and was set up to ensure that the role of the TUC is effectively undertaken in Wales. The Wales TUC seeks to work with and make representations to other organisations at an all-Wales level. A major role is to co-ordinate the trade union approach to the Welsh Assembly Government and ensure that the interests of Wales' trade unionists are properly represented in the whole range of Assembly decision making.

Introduction

The Wales TUC welcomes the Assembly Finance Committee Inquiry in to Public-Private Partnerships in Wales and the opportunity to submit evidence.

As multiple stakeholders in public services we welcome the Welsh Assembly Government's commitment to a patient-centred, world-class NHS, a first-class education for all and continual, citizen-centred, local service improvements.

Our members tell us they want better and well funded public services, not just because of their own vocational interest, but also because their children deserve good schools; their ageing relatives, who have long paid into the system, deserve the very best support and as funders they expect the best for the taxes they pay.

The Wales TUC also acknowledges that the private sector, in partnership with Government, trade unions and other key stakeholders has always had a key role in the provision of public services. For example, it has always built hospitals in Wales and always been a supplier of goods into our public services.

Cost and Value

The Wales TUC supports the Assembly Government commitment to public ownership, public funding and public control of health services in Wales, putting democratic engagement at the heart of the NHS in Wales as outlined in One Wales.

We note that this does not preclude the use of PPPs/PFI outside of health services in Wales and that in addition to hospital services PFI schemes have financed a limited number of schools, roads, and police projects amongst others in Wales which have now accrued a significant capital value totalling over £1bn for 42 projects.

Despite the commitment of the Assembly Government to publicly funded public services in Wales the Wales TUC recognises that there is capacity within the Welsh public sector for expansion of PFI schemes and a danger that a substantial public sector debt could accrue without a clear awareness of the implications of further PFI schemes in Wales.

The Wales TUC remains convinced that PFI does not provide value for money but stores up significant debt for the long term. The House of Commons Public Accounts Committee's recent report on PFI debt shows that the cost to the tax-payer for PFI projects in Wales is around five times their capital value - Ysgol Gyfun Cwm Rhymini and Lewis Boys' School in Caerphilly, with a £25m capital cost and repayments totalling £126m, a typical example.

In 2003, the Audit Commission briefing paper "PFI in Schools" compared the quality, cost and delivery times of a sample of early PFI schools with traditionally funded schools built around the same time and found that the PFI sample of schools was, statistically speaking, significantly worse than the traditionally funded sample.

Risk Transfer

The transfer of risks to the private sector is critical to the case for PFI/PPP, but there is considerable debate about how risks have been assessed and quantified and whether, in some cases, the risk transferred is more apparent than real. Risk transfer and risk examination are problematic for several reasons, primarily because the methods for assessing the value of the risk to be transferred are highly subjective. Even though it is possible to list the risks, it is far from easy to ensure that the estimated risks are transferred in practice via the contract, and even when transferred, it is not always possible to enforce the contract.

With many services, the ultimate risk will always remain with the public sector, as it can not allow them to fail or go bankrupt. Railtrack and National Air Traffic Services are clear examples of where the government had no choice but to step in.

Public Sector Comparator

The Public Sector Comparator (PSC) should be a benchmark to ensure that the taxpayer is getting good value for money. It is a commonly held view within the public sector that the PSC is a PFI facilitator rather than a comparator because the PSC may not compare like with like.

The comparison between the PFI/PPP scheme and a (usually) hypothetical public sector comparator is subjective and often has built in assumptions that favour the privately funded scheme. Wales TUC would argue that there is nothing inherent to PFI schemes that guarantee greater innovation or efficiencies. The public sector can perform equally well when there is funding stability and good procurement practices.

There is no clear evidence yet, either way, that bringing in the private sector will improve poor services. There is evidence, however, of major problems and service failure following externalisation, particularly in the outsourcing of benefit services.

The case made for private finance and delivery of public services needs to be based on evidence and not assertion.

The Experience of Staff

The rationale for staff to be transferred into the private sector is for future savings to be made through the reduction in staff terms and conditions. It is true that transferring staff do keep their terms and conditions through TUPE, but it is equally true that one or both of two things then happens.

(a) Transferred staff have their conditions reduced over time. Pension provision is a case in point where all too frequently, good final salary superannuation schemes have been replaced with money purchase schemes.

(b) New staff are employed on the companies' own terms and so a two tier workforce is developed.

The Wales TUC believes that the best and most efficient way to provide quality public services is to have a fairly paid, motivated and committed team of people. Privatising their jobs not only acts against this, but it has, and will continue to, hit disproportionately against the already low paid and women.

The Wales TUC fully supports the Welsh Assembly Government commitment to end the two tier workforce in Wales and would resist compromising this objective with further PPPs/PFI projects in Wales.

A PFI Case Study: Baglan Hospital

The PFI hospital in Baglan, Neath Port Talbot is one of the largest PFI schemes in Wales. Five years since becoming operational, issues reported to trade unions include:

The significant amount of glass in the building means it is excessively hot in the summertime and excessively cold through the winter.

The glass building leaks when it rains.

Windows in key areas have had to be shaded with film to reduce glare, at additional cost to the Trust. Some areas of the hospital have been waiting 3 years for the work to be undertaken.

Air conditioning has had to be installed in many areas because of exceptionally high temperatures, also at additional cost to the Trust.

Mortuary services have been lost due to a breakdown of under floor pipe work.

Returned linen is often not cleaned to the standard that is required generating extra work for the monitoring team.

Working hours within patient services (catering) which are provided by a contractor, have been consistently reduced. As staff have left they have not been replaced and existing jobs have been realigned.

Maintaining cleaning services to ward areas has had to be fought for with the staff willing to fight for hours and standards through industrial action and strike action.

All items have to be costed. For example, catering provision for any type of corporate hospitality is very expensive.

Any additional maintenance is always costly with the SPV agreement and by an approved contractor.

Notice boards or shelves requested by staff are put in at significantly higher cost than if carried out by the Trust.

Conclusion

Our opposition to PPPs/PFI is based not only from our experience to date of post transfer employment conditions and value for money, but a commitment to publicly accountable, publicly funded public services.

It is the view of the Wales TUC that a broad reflection of the type of society that we live in can be seen through the public services we provide. It is also about our attitude to them; whether they are seen as a burden or the flagship of Welsh democratic society. It is about a commitment to quality public services, provided by fairly paid and motivated staff.

Further Information

Further information about this paper can be obtained from:

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