The Private Finance Initiative in the UK

Thankyou. I've been giving versions of this talk to your predecessors for several years now. I will deliberately combine methods of talking, sometimes I will talk with slides, here, sometimes without. Because actually you will encounter both of those. And I'll say a little bit about myself. My discipline is economics, but the faculty or department I work in is the Faculty of the Built Environment, not the Faculty of Economics. So my specialism is the application of economics to the issues and problems of the built environment. And this leads me to the topic of my talk today, which is the Private Finance Initiative. How many of you read an English newspaper? Put your hands up if you do. Well, more of you should. One of the best ways, I'm sure your teachers have told you, of improving your English, is to read a serious newspaper – maybe not everyday, but several times a week. The Times, or The Independent, or The Guardian, The Financial Times if you're that way inclined. If you do read an English newspaper you would know about, or you would have come across, the Private Finance Initiative, because it's in the news all the time. So let me ask my next question: How many of you know what the Private Finance Initiative is? I'm not going to test you. There's no danger in putting your hand up. I'm not going to ask you for a definition. No, no-one. Okay, so we'll start out at the beginning: Private Finance Initiative. And the first thing to know about it is that it's a Government policy. And it's to do with the way in which public services are now provided in the United Kingdom. So, first of all, what do we mean by public services? Well, we mean things that are paid for out of taxes and are provided either free of charge, or at low cost, to the whole population. So, roads are a public service. They're paid for out of taxes and provided free of charge for the whole population, you don't have to pay to drive your car on the roads. Well, except in central London where there's a Congestion Charge. Schools are a public service. Universities are a public service – well, students now pay a fee, so it's not entirely free. But the student fees only cover about one eighth or one tenth of the cost of providing university education. The vast majority of the cost is met by the taxpayers. So these are all examples – there are many others obviously – of public services. Sometimes people receiving the public service don't want to receive it, like people in prisons. Prisons are a public service, but the customers aren't the prisoners; they're the rest of us. Okay, so governments have traditionally provided public services by raising taxation money and then themselves employing the staff who would operate the service: the prison warders, the teachers, the highway maintenance crews, and so on. Also, equally traditional, was that when a new prison, a new road, a new school had to be built, the government would pay a private sector contractor to build it. Like a construction industry private sector business. And probably, they would pay another construction sector business, a firm of architects, to design it. Now, what that meant was that the public sector in traditional procurement had to borrow the money to pay the contractor to build the school or the road. The contractor wants paying each month for the construction work they do that month. So, okay, you [...] spend two years building a new road or building a new school, then its going to operate for maybe sixty years, maybe a hundred years. But you pay all of the construction costs, the government pays all of the construction costs in that first two years, to the construction people – in the traditional method. And then in the remaining hundred years it just pays staff, the costs of operating the building. The teachers and the cleaners and the caretakers and all the other people who occupy the school building and provide education services. Now, PFI changes that. In PFI, the government doesn't pay fot the building as it's being built. Instead, a private company, called the PFI company, pays for the construction. And it gets paid over the length of its PFI contract which is typically somewhere between 25 and 40 years. It gets paid by the government an amount each year for providing a service. It provides, not education – the teachers are still employed by the government – but it provides what is called serviced accommodation. So it guarantees to provide classrooms and other facilities ready to be used. I'll give you an example, if you just walk along Gower Street, you'll see there's a large red brick cross-shaped building, called the Cruciform Building, about a hundred years old. Now that building was refurbished ten years ago, completely rebuilt inside, as a PFI contract. So, that building at the moment does not belong to University College, it is owned by a PFI company and we – University College – pay a sum of money each month for the services that that company provides. So, at one level, this is a property transaction: it's the difference between owning the building that you occupy and being a tenant in it and paying rent to someone else who owns the building. But there's more to it that that. Because we don't just pay rent. University College doesn't just pay rent, if it was rent it would be a fixed amount, and it would just be fixed as so much per metre squared of floor area. Okay, and that would be that. But we're not paying just for space, we're paying for services. And what we say is – we have contracts that say something like we need ten lecture rooms, twenty seminar room, fifty laboratories, staff – fifty staff offices – or accommodation for fifty staff, lecture theatres enough to teach a thousand students a time in up to eight different classes. That's what we need. If you provide that, each month you provide that, we will pay you for providing that service. But if you don't provide it, if for example the roof collapses and half the building isn't occupied, or the heating fails and it's too cold to be occupied, then we don't pay you. Okay, so we only pay for services that you actually deliver. And that's one of the first principles – well, we've now got two principles of the PFI, as it's called – Private Finance Initiative, always abbreviated to PFI. The first principle is you only pay for services when they're delivered and if they're delivered. The second principle – and the reason it's called the Private Finance Initiative – is that the private sector borrows the money with which to build the facility. But the third principle is that the taxpayer in the long-run still pays. Education is being provided in a school, university building that's now owned by a PFI company. But the PFI company's being paid each month. How? Well, the university's being given money by the government with which to pay the PFI company. Where does that money come from? Well, it comes from taxpayers, tax revenues. Just as it was before. But in the old system the government borrowed the money. And then the government had to repay the loan with which it had borrowed the money to pay the construction company. But in the new system it's the private company – the PFI company – that does the borrowing. And – so that's a second principle, it replaces public sector borrowing by private sector borrowing. So that's what we're talking about. And why it's worth talking about is that it's – in the last fifteen years it's been the major change in Britain – the biggest single change in the way in which public services are provided and financed. And it's sweeping the world. It's been copied. Every week there are delegations from governments from all over the world coming to Britain to study PFI and see how they can introduce it in their countries. Now, when it's exported like that it sometimes goes by a different name. It's sometimes called Build Operate Transfer, or Build Own Operate Transfer. BOT or BOOT. These are really just the same thing as PFI. It's also known as DBFO – Design Build Finance Operate. A lot of acronyms, this work of PFI. Why it's been done, okay, we'll get on to in a few minutes.

PFI, as I've described it, is one particular form of what are now called Public Private Partnerships. Now, the idea of a Public Private Partnership is that involved in providing a public service to users like students – students are the users – involved in providing that service there are two things. Someone has got to act as a customer on the students' behalf and say, what is the service that's being provided and then if it's provided, they pay for it. So they are the customer, they are the buyer. Customer, buyer or purchaser all mean the same thing. And then there's someone else who makes the service, provides and delivers it, and produces it. Now, traditionally, the two were both done in the public sector if it was a public sector service, and perhaps even the same public sector organization would both purchase the service and provide it. What PFI does, or what PPPs do, it they are based around a separation of the roles of purchaser and provider. And the idea is that a public sector body goes on being the purchaser, purchasing the service from its providers, on behalf of the users. But the private sector body, the firm, becomes the provider. It employs the workers who actually produce the service and then it sells the output of what those workers do to the public sector purchaser. So the provision of services becomes done by private sector firms. And, the ownership of the assets used to provide the services – the buildings, and the equipment – becomes either shared or becomes private, could be either, where as previously the assets, the buildings, used to be publicly owned. And the financial liabilities, the debt, the borrowing, that is needed in order to get the money with which to buy the assets, those financial liabilities are also made private, or perhaps shared jointly between the public and private sector. So, a series of pairs of contrasts here. Terms that are opposites. How many opposites can you see there on that slide, words that are the opposite of one another? Well how about assets and liabilities? That's one pair. Any of you who've ever looked at a balance sheet for anything or the accounts or any organization will know that those are opposites. And another pair of opposites is provider and purchaser or, as we sometimes say in economics, the supplier and the demander. And one of the best ways of learning new vocabulary, new terminology in scientific subjects, is often to ask, okay, what is the opposite of this word?

Now, PPPs, Public Private Partnerships, have been going on, as I said, for the last fifteen years, twenty years. In that same period there is a broader process which has been going on, called Privatisation. Now, privatisation rules transfer into private sector ownership producer organizations, bodies that produce things, that used to be publicly owned. So in Britain privatisations have included utility companies – people who produce and supply water, electricity, gas, telecommunications. Twenty years ago, all of those were publicly owned. Today thery're all privately owned. Airports and seaports used to be publicly owned, they're now privately owned. Then other things are a bit more complicated. The railways, twenty years ago, were publicly owned, ten years ago they were privately owned, now they're kind of half and half – partially back in the public sector. But the general idea of privatisation has also been sweeping the world, and country after country's governments have been selling off industries, businesses that they used to own to private sector buyers. But the difference is, if I – if a utility company, if a water company, or an electricity company is privatised, how is that different to a PPP or PFI? Well, okay, in a privatisation the new private business, the electricity company, say Powergen PLC, say, they decide entirely what business they're going to be in. All that's been privatised is the ownership of some assets. They own some cables, and some lists of customers. They might own some power stations but in Britain they don't actually, other companies own the power stations. And they own some computers and some offices and they employ some staff. And they can decide, we're going to get out of the electricity business, we'll get into car breakdown services. So for example the gas company now owns the Automobile Association, the company that will fix your car by the side of the road if you break down. They reckoned it was essentially the same as fixing people's central heating boilers when they broke down, it was the same kind of business. Customers would pay an annual amount to be insured, and then when they needed you they'd phone you up in an emergency and you're sent down and fix it. So what began as a gas company is now taking gas out of its name, it calls itself Centrica. And it's doing all kinds of businesses, it can choose, like any other private firm, what business to be in. It could get out of the gas business altogether, if it wished. Now, in a PPP or PFI that's not the case. The private firm has a contract with the government which commits it to provide a specific kind of public service for the next 25 or 30 or 40 years. So it's not flexible, it can't get out of that. And the other difference is that in a typical privatisation the privatised company now sells its services to individual customers, and those customers pay what are called user charges [...]. Where as, with PPPs, the customer – if they don't pay much attention to the news – may not even know that the service that they're consuming is now provided by a private company. Because they don't pay, the taxpayer still pays. And the government buys that service on our behalf. So in a privatisation the relationship between the private sector provider, firm, and the public sector, is that the public sector contains a body that will regulate the behaviour of the private firm. Why do these firms need regulating? I mean, we don't have governments regulating the firms and suppliers with food or cinema tickets or a million and one other things. Ordinary businesses are not regulated by government. But privatised utility companies, for example, are regulated. Why? Well, because they are, what are called by econommists, natural monopolies. They are businesses which will always, if left to themselves, become monopolies. What is a monopoly? Okay, from the Greek ‘mono’, meaning one: one supplier. The same root as monarch, one ruler. And so any business which if left to itself will end up with just one firm controlling the business and supplying everything. We say that’s a natural monopoly. Gas is a natural monopoly. It only makes sense to dig up the streets once and lay one set of gas pipes. It really wouldn’t make sense to have two sets of gas pipes running down every street to every house owned by two competing companies. It would cost twice as much to do for very little extra benefit. So you end up with just one gas company. But then if you have just one company they need regulating. Because otherwise they can provide a very poor quality service and charge very high prices, and their customers can’t go anywhere else – there’s no alternative. So monopolies need to be regulated. And also they have to be restricted – if I, if – if you’re selling foreign holidays and I don’t like the foreign holiday you’re offering, I don’t have to buy it. And even if you have a monopoly of the foreign holiday business, which you wouldn’t, I don’t have to take my holiday abroad, I can take my holiday in Britain. But if you have a monopoly of the water supply, I can’t go anywhere else. I can’t live, if you don’t supply me with water I will die, I have no other means of accessing water. So what you’re providing is an absolute necessity, not a luxury. A luxury is something people can choose to have or not. A necessity is something that they must have, cannot be without, okay? And many of the privatised companies provide necessities. So they have to be prohibited from deciding not to supply people. If I live on top of a high hill, two-thousand metres high, the water company has to pump water two-thousand metres up to get to me. The cost of distributing water is mainly the cost of pumping it uphill. Letting it flow downwards is free, gravity does all the work, it’s the engines that pump it up that cost the money. So left to itself, water companies would say, we’ll supply everyone who lives in the valley – that’s profitable. But if you live on top of a hill, sorry, we’re not going to supply you with water because we can’t make a profit out of it. It costs us more to supply you than you will pay. The regulator says no, you can’t do that, if you want to be allowed to be a private water company you have to guarantee to provide water to everyone, regardless of where they live. So again, it’s not like an ordinary kind of commercial business where you decide what to do. Okay. And also often there will be subsidies, so the railways are a regulated business. But the railways only get about half their revenue from the fares paid by their customers, the other half comes in subsidies form the government. But in return those companies have to submit to regulation. To offer services that run at a loss but which the government wants them to provide. Providing services for commuters to get in and out of the centre of London, in in the morning and out in the afternoon, it’s impossible to make a profit doing that. Your stations, your trains, are only busy twice a day – two hours in the morning, two hours in the evening. Very very hard to make a profit that way. The railways that make profits are the long distance railways between the big cities. Left to themselves the railway companies would close down the commuter railways. But then how could London survive without its railways to get the commuters in and out everyday. It can’t. So, subsidies. Okay.

So here, you know, an example of grades of difference, within – PPPs, PFIs, privatisation, are all in the same broad area of [...], but there are subtle differences in their meanings. So what I have just been doing is trying to show the differences in the meanings of three terms which are broadly similar. They have a lot in common. But nevertheless we need to see that they are three different things. What’s the opposite of privatisation? Publicisation? You’d think it would be, but there’s no such word. The actual opposite word is nationalisation. So when assets, businesses are taken from private into public ownership, the word used to describe that is nationalisation, they’re taken into national ownership. And in Public Private Partnerships what’s happening is, yes, a change in who owns the asset, but also a change in who employs the people who actually do the work, who provide the service. And previously everyone involved in every stage of providing, let’s say education, was a public employee. Now that meant, not just the teachers, but it meant the cleaners in the school, the caretakers, the secretaries in the school office. But it also meant the people in the school canteen providing the food and the people in the kitchens cooking the food, and it meant the drivers of the school buses that brought the children to and from the school each day. And it meant the engineers who repaired the school buses. And so on and so on. Forty years ago all of those people in Britain would have been public sector employees. Today, only the teachers and the staff in the school office would still be public employees. All the rest would be employed by private contractors. Firms that have won a company – a contract to provide, say, school meals to a set of schools in return for a certain price. And that contractor – the school meals contractor – will employ the people who work in the school canteen, the people who work in the school kitchens. And indeed the kitchens may not be in the school any more, they may have one big centralised kitchen hundreds of miles away. Why do this? Well, why in the old days was everyone involved a public employee? After all, the vast majority of catering is done by private firms. So why, if it was a case of providing meals for school children, make that done by public sector employees? Well, the idea was that it was advantageous to, as we say in economics, vertically integrate activities. So you’ve got – think of – at the end of things we have something, a final product or service which is useful to us as human beings. At the start of the chain we have the raw products of nature – the earth, and what’s in it and on it. And the economy consists of a series of sequential activities in which we take natural resources and transform them. And then – okay, so the first stage, say agriculture, which takes land, turns it into grain. The next stage, the farmers sell the grain to another industry called the flour-milling industry. They take in grain, transform it and out at the end of that industry comes flour. They then sell that flour to another industry, the bread-making industry, say. Okay. So in comes flour and out comes bread. And then the bread either gets sold to consumers or it gets sold to restaurants and canteens and so on where it’s turned into prepared meals which are then sold to customers. Vertical integration would be where you said, okay, the final service is the restaurant meal and we will own everything backwards in that chain necessary to produce meals. The Ford Motor Company used to produce as its final product, motor cars – it still does – but it used to own the iron mines where the iron ore was dug out of which the steel was made out of which the motor cars were made. And Ford would own the ore, it would own the steelworks, it owned everything in the chain ending up with motor cars. It doesn’t do that any more. Other companies own the steelworks. All

Ford does is sell motor cars and own the factories where components are assembled together into finished cars, but all of the components are made by other people. Down what is called the firm's supply chain, which is a phrase you may come across. Now - so once upon a time, vertical integration was a favoured solution, thought to be an efficient way of providing things. And now it's unpopular, it's out of fashion. Also once upon a time, public provision and public sector employment of the providers was thought to be a good, a suitable way of providing public services. [...] of public services. Today, the idea, the belief amongst many people – economists, government advisors, politicians, is that private sector provision will be more efficient than public sector provision. Lets take the school meals case. Do any of you watch British television? If you don't read a newspaper, maybe you watch some television. Have you come across a programme called Jamie's School Dinners? Jamie Oliver and the provision of school dinners. Okay. Now the point about that programme, the school dinners are provided in many cases through private companies through contracts, and provided fairly efficiently to the point where it actually only costs them about sixty pence per pupil per day to provide a meal. That's not very much. So they've driven the costs down so that's savings for the taxpayer. The problem that now emerges is that the quality of the food is pretty appalling. And often, for poor children anyway, it's the main meal they get in a day – is the meal they get at school. And if that meal is not nutritious, if it doesn't have sufficient vitamins, proteins and so on in it then they will – the children will get a bad diet. They will also, if all they ever eat are crisps and chips and so on, they will acquire bad habits and they will end up obese, overweight, unfit, dying of heart attacks young, and so on. So, it's a good idea by-and-large to get children to eat healthily. The problem they've got is they've entered into PFI contracts for forty years with private companies that just said, 'provide hot meals and provide a range of choice – let children choose.' And provided there is choice, the choice could be between the products of different vending machines, it could be the choice between a burger and fried chicken, say. That would meet the terms of the contract. Now, the public is now saying – the newspapers are demanding and so on – that something must be done, that the quality of the food must be improved. The companies are saying, 'no. We can't do it. We have a forty year contract. You change this and you, the government will be breaching your contract with us. We are agreeing – we are providing what we contracted to provide. We're not in breach of contract so you must continue paying us. If you don't, we'll sue you in court and win'. And they would too. Because the contracts would clearly show that the government was obliged to go on paying for forty years for turky twizzlers or whatever it was. Erm, this is one of the disadvantages of contracting out, it's one of the reasons why you did the thing yourself in the first place. Because if something is done by public employees, if you change your mind about what you want, it's easy. You can just say, okay, next week we're changing it. Okay. You're not going to cook this kind of meal, you're going to cook that kind of meal. And if the people involved are your own employees you can just do that. Unless they're represented by a trade union, then you might have to negotiate the change with the trade union. But, if you've entered into a long term contract with a private company, if you change what you want, the company says, well hold on a minute, the contract doesn't entitle you to make a change – you can only make a change if you agreee it with me, and my price for making the change is very high. So if you want to change the quality of what we're providing, you'll have to pay four times as much as you're paying at the moment: That's my best offer. Take it or leave it. Because I'm now the monopolist, I have the contract, you can't replace me with another firm. Now, as long as you don't change your mind about what you want, and as long as you organise a competition between many competing firms to get the lowest price in the first place, PFI might give the taxpayers good value for money. But if there is a lack of competition, and often one of the problems is corruption – because these PFI contracts are worth enormous amounts of money. Because they last for forty years. So it's a contract for maybe twenty million pounds a year for forty years, say, something like that. So the companies that want to win these contracts have a good incentive to bribe the politicians, the government officials, that are going to award the contracts. So if you're citizens of a country that is saying, okay, we're going to place PFI contracts for the provision of all our public services, you have to think, hold on, do I trust my politicians, my civil servants to actually place these contracts with the firms that will give me, as the user and the taxpayer, the best deal – the best value for money. The best quality of service for me as a user relative to what it's going to cost me as a taxpayer. Or do I think the government will place these contracts with its friends, its cronies, you know, the brother-in-law of the prime minister or whatever will turn up winning the contract. Or do I think that he will actually receive bribes in order to award the contracts to inefficient firms. So, these are among the problems. It raises issues of all kinds of fundamental things. We have to be efficient in the modern world, because we want to get richer, we want our economies to grow, we want our incomes to grow. All of that will only happen if you get more efficient. Efficiency is important. And maybe private contracts like PFI improve efficiency. But we also want governments and the people who provide our services, public services, to be accountable to us. We want them to do what we want them to do, like stop serving junk food and serve healthy food, or whatever it is. How can we do that? Traditionally, if we didn't like what a local education authority was doing in its schools, we had the chance every year to vote and we could kick that lot of politicians out, get another lot of politicians who would change the way they were running the schools. Today, for the next forty years you can't change the way schools are run. It's all tied down in a contract. If you try and change it, you'll breach the contract and you will have to compensate the company – it will claim damages, and you'll end up as local taxpayers getting no service and paying out an awful lot of money for the contract, and to lawyers. So, getting the balance between efficiency – which is desirable – and accountability – and giving people what they want and letting people change their minds about what they want. And getting that balance right, that is at the heart of the argument about PFI, and it's why PFI is very controversial, why it's always in the newspapers. So, that's it, end of talk. Questions?

[question] You gave the example of how school dinners, how the terms of the contract [...]

You can get anything you like under PFI, as long as you contract for it. So that requires that you think ahead, you think before you sign the contract, what am I going to need for the next forty years? You've got to write all that down, and then you've got to put it in the contract and say, 'you, the contractor, must promise to supply me with this list of things.' So if that list includes keeping open railway stations in the countryside, you say so. You put that into a list, what's called the output specification, before anyone signs the contract. If it's in the specification, if it's in the contract, then you must get it. Because if the company does close those stations then the company is in breach of contract and you can sue them for damages. So they would do it, they'd keep them open. They would have priced – they will have worked out what it will cost them, and they will have included that estimate in their price, that is the price in the contract. Now, if you ask for – if you come up with a wish list – you ask for a Rolls Royce, but you've only got the money for a Ford Focus, then you can't end up with a contract. Okay, if you end up with a – if you write, as the public sector purchaser, a vast long list of all the things you'd like, and it turns out that to provide those would cost 100 million pounds a year, but you've only got fifty million pounds a year, well then you've got to go back and think again. You realise – you've got to think about what are your priorities, you can't have everything. You've got to give up something. What of all my list of desirables do I value the most? That stays in the list. And what really do I think 'well, I'd like it, but it's expensive and I'd rather give that up than give up something else.' And so the idea – another idea is – of contracting this way is it makes the purchaser think about what they want and what they're prepared to pay for it. Otherwise you can fudge it. You can say, 'oh, well we haven't got the money now, er, so, er, we'll just pay the nurses. We'd like to have a new hospital [...], we intend to, we'll get round to it, but we can't do it this year. And if you go on with public sector provision you can go on like that for fifty years. With good intentions, but never actually getting round to finding the money to pay for the new hospital. Where as PFI, you commit yourself and then you can't change your mind. You can't back out and say, 'oh no, we haven't got enough money to pay for the new building'. Because you've signed a contract, you have to pay. And so it's a way – I mean governments always find it easier to close down their building programme rather than sack some teachers, sack some nurses. So if governments have to cut their spending the thing that almost always gets cut is their construction program. And therefore publicly owned buildings don't get maintained properly, they don't get rebuilt or refurbished because the budgets for them just get cut. What PFI does is ensure that once – I mean, UCL has entered into a PFI contract, UCLH, that new hospital at the top of Gower Street is a PFI. So, University College Hospital is committed to paying for the next 44 years about forty million pounds a year to the PFI company for providing the building services – building services. That is the very first claim on the budget of the hospital. Only when that has been paid can they see, what money do we have left to pay nurses or buy drugs. Where as before they signed the PFI contract it would have been the other way round. They start out with their revenue, they pay the nurses, they pay the doctors, they buy the drugs, and if they've got anything left at the end, they spend it on the buildings. So PFI reverses the order of priorities. If you want it to. If you don't want to put the buildings first, of course, don't write a PFI contract.

[question] [...]

Who started it? Well, Margaret Thatcher is a name that comes to mind, she was Prime Minister from 1979 until 1990. It was really her government that began privatisation.

[question] [...]

Yes, it's continuing. It has – most of the privatisations had happened before 1997, which was the change from the Conservative government to Labour. Erm, but the Labour government has not reversed the privatisations, it's left them and it's still making a few more. So some small things are still being privatised. So London Underground for example. The tunnels, the track, the signals, what's called the infrastructure of the Underground – and the trains – are now all privately owned, since two years ago. That was done by the Labour government, that's its most important privatisation, the London Underground.

[question] [...] British people, support or against [...]

I think, they don't have a view on it, most of them, in principle. They're against it in some cases where it hasn't worked, like the railways. But are happy with it in other cases like telephones. I don't think anyone would say it would be a good idea to take telephone companies back into public ownership. But railways, probably the majority of people would say, let's take the railways back into public ownership. So I think it's caused people to think again about where to draw the boundary. [...] And there's probably a feeling among the majority of people that maybe the boundary's gone – the last ten years, twenty years – has gone a bit too far towards privatising a bit too much, maybe. But, well, of the three political parties – main political parties in Britain – none of them really now though stand for taking back into public ownership any large amount of what has been privatised. They will just at the margins of the Liberal Democrats will do it. Take the railways back into public ownership. So mostly it's kind of more-or-less agreed. But what's more controversial is PFI. Because it touches areas which are more important to people, like health – their own health – their children's education as opposed to the provision of electricity or whatever. And bringing private firms, private business into the National Health Service is in Britain most controversial because we've – since 1947, we have had the idea that health care should be completely provided as a public service.

[question] [...]

Well, it has no impact on the price the public pay because the public don't pay a price. It's the government, the Treasury or the government department, the Department of Education or the Department of Transport, that pays the PPP company. Now – so if it's expensive, if it turns out to not be good value for money, the effect would be higher government expenditure and therefore there'd have to be higher taxes. But where as privatisation does involve them privatising companies that are selling their products to the public. And yes, and that has had impacts on prices. In some areas it's accelerated technological change and the technological change has brought the price down. So telecoms, telephones, would be an example of that. But in other areas it's allowed the price to go up. Like water, where the public sector regulator was requiring a massive improvement in the quality of the water and a reduction in the pollution of rivers and coastlines. And that required a lot of investment expenditure in schemes to reduce pollution. And the water companies were allowed to put their prices up so long as they agreed to reinvest most of the profits in improving the water quality and dealing with pollution. Which they have done. So it's very mixed. The classic cases – there are some PPPs of course with user tolls. I'll give you an example of one: the Skye Bridge. Skye is a beautiful island off the coast of Scotland, and used to be connected to the mainland by a ferry. And about fifteen years ago, it was decided to build a bridge instead. It was decided to make this a PPP project, and in fact the idea was that while the government will put in some subsidy, most of the money that would go to the private – the private bridge, would come from charging tolls to the users.