



# **The impact of privatisation on financial statistics: accounting for public money after privatisation**

*Jean Shaoul*

***Paper presented at the annual conference of Radical Statistics  
February 2004 London***

This paper has two interrelated objectives. It seeks firstly, via the use of case studies, to examine some of the problems and issues raised by privatisation for the provision and use of financial information and statistics. Secondly, it considers how well the existing forms of reporting, for both the public and private sectors, provide useful information for citizens and their representatives about the use of public money. The paper argues that privatisation of public services has been accompanied by a lack of relevant financial information thereby undermining the control of and accountability for public money to the public at large. This not only serves to make evaluation of such policies impossible but also obscures their massive re-distributional impact, not from the rich to the poor, but from the mass of the population to the financial elite.

The paper is in several parts. The first section briefly outlines the various forms of privatisation and some of the consequent changes in the composition of public expenditure. The second section discusses the notion of accountability. The next four sections consider the particular problems and issues thrown up by the different forms of privatisation: (i) compulsory competitive tendering; (ii) the regulation of the privatised water industry in the context of consumer protection; (iii) the privatised rail industry and its subsidies; and (iv) Public Private Partnerships (PPP) and the Private Finance Initiative (PFI) and its costs. The final section draws out the implications.

## **The privatisation of public services and public expenditure**

Privatisation, not just in Britain but all over the world, has taken several forms. The first, the sale of public assets, has been achieved via the public offering of shares to the stock market, sale to the highest bidder or

management buyouts. Secondly, the provision of some Local Authority and National Health Service (NHS) public services is now carried out by the private sector via Compulsory Competitive Tendering (CCT), later replaced by Best Value (BV). Thirdly, under the Private Finance Initiative (PFI) and Public Private Partnerships (PPP), known elsewhere as Design Build Finance and Operate (DBFO) or Build Own Operate and Transfer (BOOT), the private sector provides services and the underlying assets. Fourthly and more recently, there has been a turn to public benefit companies that will include public bodies and private sector entities, e.g., foundation hospitals and schools, a status that the private sector can also adopt. The outright sale of public assets was the preferred method for the trading activities of the state, such as the public utilities, transport, etc., that could be restructured to deliver a profit, in the short term at least, for the shareholders. CCT/BV, PFI and PPPs have been the preferred method of privatising the delivery of public services that could not be sold for political and financial reasons.

The government justified privatisation in terms of the greater efficiency that would flow from private sector management techniques, access to finance from the capital markets which government could not provide, the reduction in the public sector borrowing requirement, inward cash flows from the sale proceeds, wider share ownership, etc. The clear implication was that all would benefit. Indeed the White Papers setting out the arrangements for privatisation said so quite explicitly (Department of Industry 1982, Department of Transport 1984, Department of the Environment 1986, Department of Energy 1988, Department of Transport 1992). But despite the proclaimed advantages, privatisation was neither the result of a widespread movement among the public at large nor indeed was it popular. It has played a major role in cutting jobs and reducing the wages and working conditions of the workforce, and increasing prices to consumers, thereby contributing to the ever increasing inequality which is the hallmark of Britain today (Shaoul 2000).

The newer forms of privatisation, whereby the private sector delivers publicly funded services, now account for the majority of managed public expenditure, i.e., excluding welfare payments and debt servicing (Pollock, Shaoul, Rowland, and Player 2001). In 1977, when most public services were carried out in-house, general government purchase of external goods and services (gas, electricity, office supplies etc) accounted for some 28% of annually managed current expenditure (i.e., excluding welfare payments). By 1991, this had risen to 38% and in 1999, to 57%.

In other words, the turn to outsourcing accounts for more than half annually managed expenditure. In contrast, internal costs or wage costs have declined from 72% in 1977 to 38% in 1999.

PPP/PFI has now become an important source of new infrastructure, involving significant commitment of future government funds. For example, between 1999 and 2003, the capital value of signed PFI deals was about £3-4bn per year, making a total of 563 deals worth £35.5bn of which £32.1bn were signed after the Labour government came to power (Treasury 2003). In 2003, the Treasury estimated that the capital value of all signed PFI projects would be about £9.841bn for 2003-04 (Treasury 2003). Annual payments for only the signed deals were expected to be £2.9bn in 2000-01, rising to £6bn 2007 (Treasury 2003) or £105bn over the life of the contracts (NAO 2003). Since these payments largely relate to new deals rather than the replacement of existing outsourcing arrangements, then the money available to pay for them is what remains of public expenditure after welfare payments and the purchase of external goods and services – the public sector wage budget. Annual payments will therefore divert about 6-7% of the current public sector wage bill, and this is set to increase as new deals are signed. In schools alone, which all the facilities management companies see as their main growth area, the ‘market’ is expected to be worth £5bn a year – a sum equal to 20% of the wage bill in the *total* education (which also includes further and higher education) sector.

Thus, as more and more of the budget is committed, this leaves less and less to the discretion of the public agencies, reduces their flexibility and locks in future governments to decisions already taken. Furthermore, since the PFI/PPP and BV payments have first call on public finances, any future public expenditure cuts, ‘efficiency savings’ or increases in prices charged by the contractors will be at the expense of those services that remain ‘in-house’.

## **Financial information and accountability**

From the perspective of financial and economic statistics however, privatisation in its various forms, presents a number of problems. The purpose and functions of recording, collecting, and presenting such statistics on a national basis are numerous: planning, resource allocation, research, policy evaluation and accountability, to name but a few. Of particular concern here is the issue of accountability, because firstly state funding and control over key decisions of the private sector

does not necessarily disappear with privatisation and indeed in some cases may actually increase, and secondly the newer forms of privatisation blur the lines between public and private which traditionally have had different reporting methodologies and requirements and affect national statistics. Thus the issue of financial accountability for and control over public expenditure, funded out of taxation which, once legislated for, is obligatory for the citizenry, remains an important issue even after privatisation.

Accountability implies that an account is rendered for something and to some one. In the context of the private sector, accountability is understood as providing an annual report and account of how profit is generated, realised and distributed to the providers of finance, the shareholders, since profit maximisation, at least over the long term is taken to be the corporation's objective. Over the years, the amount and form of disclosure has increased in line with demands of the capital markets for information to assess the degree to which management have delivered 'shareholder value', under conditions where management is separated from ownership. Shareholders can 'exit' by selling their shares if performance does not meet their requirements, or exercising their 'voice' by making known their views at the company's annual general meeting, although such influence is generally perceived to be weak. In principle at least, such reporting provides a mechanism for controlling boardroom inefficiency and excesses.

But in the context of the public sector, accountability is more problematic. The 'what' of accountability covers a far wider range of inter-related issues: probity and legality, the adequacy of internal controls systems (process accountability), performance in relation to established standards (performance accountability), and performance in relation to objectives (policy/programme accountability). But government typically has many objectives, even for a particular policy and project, and thus there is the potential for conflict even within a project or programme where objectives are inconsistent. The 'whom', is also more diverse: the public as tax payers and service users, the government and parliament. But above all, the concept of accountability in the context of public expenditure on essential public services implies, developing the axioms set out by Sinfield (2000, p 160), that firstly citizens or at least their political representatives, the media, trade unions, academics, etc., can see how society's resources are being used and secondly that no members of that society are seen to have an explicitly sanctioned unfair advantage over others in relation to how those resources are used.

## **Compulsory Competitive Tendering/Best Value**

Compulsory Competitive Tendering was introduced in the 1980s by the then Conservative government as way of forcing Local Authorities to invite bids from external agencies to run many of their services in order to improve the efficiency of local government services. Whether CCT produced efficiency gains is far from clear (Boyne 1998). The incoming Labour government introduced Best Value in 1999 to replace CCT, saying:

“CCT has provided a poor deal for employees, employers and local people. CCT will therefore be abolished” (DETR 1998, p6).

Nevertheless, the government retained competitive tendering and outsourcing as the basis for decision making in the BV regime.

It is however almost impossible to get financial or indeed any other information about how Best Value is working in practice. The Local Authorities present little information that would permit such an analysis. City Councils refuse to reveal details about such deals. One Local Authority official, when questioned about a contract with a London, as opposed to a local firm of solicitors, said:

“I cannot talk about the terms but we are sure that we are getting best value because quality equals price” (Lawyer, 12 February 2001, p 33)

There is no centralised source that shows how it is working, either for the country as a whole or even a particular Local Authority. There is no register showing the range and size of contracts signed, neither is there any means of evaluating or even finding out what their outcomes have been in terms of both costs and service delivery. There is no information in the public domain about contract failures, penalties deducted from the payments, contract termination, etc.

The statutory right of inspection and copying of Local Authority information, contracts and detailed accounts is usually limited to a three week pre-audit period, as determined by each Local Authority’s Director of Finance<sup>1</sup>. The contracts are deemed to be ‘commercially sensitive’ and

---

<sup>1</sup> Audit Commission Act 1998, section 15

little information is made available. It is unclear that even when the *Freedom of Information Act* becomes operational in 2005, that it will do much to rectify the situation since it specifically allows public agencies to withhold financial information relating to its outsourcing contracts on the grounds of 'commercial confidentiality'. Consequently commercial confidentiality has been cited in a number of cases as the reason for refusing to divulge details when contracts have gone wrong.

Such information as is available takes the form of 'snippets' in the local and trade press. While the use of parliamentary questions has elucidated some information, this is a cumbersome route that provides data on an *ad hoc* basis only and has limited visibility. Thus it only serves to highlight not resolve the problem. While the Audit Commission reports on various aspects of Local Authority activity, there is no primary data source on Local Authority outsourcing contracts. In short there is a lack of useful data about the use and cost of outsourcing making it difficult to evaluate its value without in-depth case studies by a research team.

## **Consumer protection and the water industry**

The privatised water industry in England and Wales, which operates as regional monopolies, is subject to price regulation by Ofwat (a public agency) in order to protect the consumer from potentially rapacious monopolists. Ofwat sets the maximum permissible annual increase in prices for water and sewerage services based upon the companies' investment expenditure needed to meet EU and nationally determined measures of drinking and waste water quality, the cost of capital, operating costs, and some assumptions about annual cost savings.

A comparison of the level of investment expected at privatisation with that which actually occurred over the five-year period to 1994 showed that the 10 water and sewerage companies had spent less than expected at privatisation in 1989 (Shaoul 1998). This was not a matter of concern to the regulator who explained that the companies were required to perform to certain key targets, not spend a specific sum of money. However, a comparison of the levels of performance achieved in 1994 against the targets set in 1989, a number of which became invisible, showed that not all companies achieved all their targets. Again, this was not a problem for the regulator. In other words, the targets were not mandatory nor were the extra profits subject to claw back. The performance indicators were not very comprehensive and in some cases were not very objective or reliable. But this, in turn, means that

consumers could be charged in subsequent years for achieving targets that should have been achieved in an earlier pay review period.

It was for the purpose of this research possible to compare the annual performance of an individual privatised company against its targets for 1989-1994 because both the targets and the individual companies' annual performance were put in the public domain. Since 1994, the performance targets have only been made available on an aggregated or industry basis, not on a company basis. Thus there is a lack of the key information for corporate and regulatory accountability against which there is no redress.

## **Subsidies to the railway industry**

Since it is impossible for railways anywhere in the world to recover the full cost of past capital expenditure and maintain and enhance the rail system through fares alone, public subsidies and capital grants have been necessary. Under privatisation, government subsidies have trebled since the 1980s (Shaoul 2004). In 2001, subsidies accounted for 27% of the 25 train operating companies' (TOCs) revenues (£4.5bn) in 2001. But in addition to government subsidies there are also subsidies from the Passenger Transport Executives and other forms of regional and local support. The TOCs made a £10m operating profit before interest and tax in 2001 after paying their costs.

Their first major cost was the £2.7bn paid in 2001 to access the track to the rail infrastructure company Railtrack/Network Rail, which also received capital grants and debt guarantees from the government. The government went to great lengths to ensure that the new company would be classified as a private sector company and its debt, guaranteed by government, would be classified as private sector debt in the national accounts. Thus, the real beneficiaries are the banks and the myriad of subcontractors, not the *not for profit* Public Benefit Company, Network Rail or the infrastructure itself. Yet in many cases, it is impossible to find out even the most basic financial information since some of the maintenance and renewal contractors, such as Balfour Beatty Rail, Carillion Rail, and Jarvis Rail, hide behind a web of companies that do not publish a meaningful annual report and accounts.

Another of the TOCs' major cost was the £500m paid to the rolling stock companies (ROSCOs) to lease the trains. The ROSCOs made an operating profit of between 30-50% of their revenue after subcontracting to their

sister companies. As close companies, they were able to take advantage of the regulations that do not require disclosure about 'related party transactions' or transfer pricing. Even after paying interest on their debt, they still managed to make truly heroic post-tax rates of return on shareholders' funds, over 400% in the case of HSBC Rail (annual report and accounts). But since the interest payments were largely to their parent companies, these figures underestimate the total profit made by the parent companies on what is essentially public money. While public attention has focused on the infrastructure company Railtrack/Network Rail, there has been little scrutiny of the monopoly profits made by the ROSCOs and their sister companies. Despite its value for money remit and its 'right to roam' through the accounts of companies in a subcontracting chain that receive public monies, a recent report by the National Audit Office, on the new trains, did not examine the revenues, costs and profits of the ROSCOs (NAO 2004). But taken together, this means that the TOCs largely act as a conduit for passing public monies through to other companies.

But subsidies are also paid to the Freight Operating Companies (FOCs) to help defray the cost of using Eurotunnel. In effect these constitute an indirect subsidy to Eurotunnel since direct subsidies are outlawed under the 1987 Canterbury Treaty. However, none of this is easy to establish.

Thus despite an extensive system of subsidies and grants that is recorded in an aggregated form at the national level, it is far from easy to track the size of all the subsidies and grants by diverse public agencies to each of their recipients, much less is it possible to see either how all this percolates through an industry characterised by extensive subcontracting or the extent to which it contributes to the companies' profits, making scrutiny, control and accountability for public money all but impossible.

## **Private Finance Initiative/Public Private Partnerships**

'Partnerships' between the public and private sector have taken different forms in each of the public services and there are differences in their mode of operation. They nevertheless all share certain common features. Services remain publicly funded and subject to a regulatory framework set by government, and the core professional or front line services, as in health and education, are provided by the public agency: this is the



‘public’ aspect. The ancillary services are provided by the private sector, as is the physical infrastructure, to support both the professional and ancillary services: these are the ‘private’ and ‘finance’ aspects of the partnership arrangement.

A number of points about the provision of information relating to PFI/PPP contracts at the national level can be made. Firstly, even the most basic data showing the number, size and cost of PFI projects is difficult to collect. For example, numerous government sources produce information in ways that do not reconcile, as evidenced by the education and Home Office projects in Table 1 (- at end of the paper). Secondly, it was impossible for the purpose of this paper to produce a table showing the amount of PFI and non-PFI expenditure on a departmental basis for each year since the policy was introduced. Thirdly, it is almost impossible to ascertain the proportion of PFI to total public capital expenditure because although the Treasury produces a list of all signed deals, dates and their capital values on a departmental basis, it does not produce a comparable list of non-PFI or even total capital expenditure on a departmental basis. In addition, it is not clear that the government records all IT PFI projects as PFI capital expenditure since it maintains it is purchasing services not assets. Certainly, the Treasury list was not complete, for example, the Home Office did not show the problematic Criminal Records Bureau project. Furthermore, PFI will not be scored as government expenditure if the underlying asset is off the government’s balance sheet. But since the statistics do not identify whether the asset is on or off the government’s balance sheet, the ratio of public to non-public capital expenditure is impossible to calculate. Fifthly, it is impossible to find out on a systematic basis the public sector’s expected annual payments on a project basis (since the full business cases setting out the financial costs and the contracts are not in the public domain due to reasons of ‘commercial confidentiality’) or even departmental basis, although the Treasury does produce aggregated data that suggest that future commitments constitute about three per cent of departmental expenditure (excluding welfare payments). Finally, and even more worryingly, despite the fact that central government is known to guarantee the payments to the private and thus indirectly underwrite the private sector debt in the case of roads (NAO 1998, Standard and Poor’s 2003) and presumably it’s other contracts, the departmental accounts do not clearly state the extent of such long term commitments.

A surprising and useful source of information about PFI in general comes from the corporate sector itself. Firstly the corporate and trade press

such as *Project Finance International* and the credit ratings agencies, taking the perspective of the capital markets, provide information not available elsewhere. Secondly, the credit ratings agency, Standard and Poor's (2003), makes a useful assessment of PFI projects from the corporate perspective. But this means that the government makes more useful information available to the capital markets than to the public at large, which refutes the government's 'commercial sensitivity' argument used to justify the lack of disclosure to the public since the capital markets themselves require this information to be made available to potential investors.

While the use of parliamentary questions has elucidated some information on hospital PFI contracts (Health Select Committee Memorandum 2000), this is a cumbersome route that provides data on an *ad hoc* basis only and has limited visibility. Thus it only serves to highlight not resolve the problem. In short, there is a lack of consistent and useful data about the extent of private finance in public services making it difficult to analyse the use of private finance and its wider implications as Australian researchers have also noted (Walker and Con Walker 2000).

There is as yet only one study that has systematically compiled financial evidence about how PFI is operating in practice in the hospital and roads sectors (Edwards *et al* 2004). Each is considered in turn.

**(i) *Hospital new builds under PFI***

In the context of hospitals, the study found that the financial reporting of the 13 operational or partly operational PFI hospitals was limited and opaque, despite capital costs of about £1.4bn, total costs of about £6bn over the 30 year life of the projects, and their combined annual cost of about £230m. In a number of cases, the actual payments to the private sector turned out to be considerably higher than originally estimated. This could be due to volume increases, inflation, contract changes and failure to identify and/or specify the requirements in sufficient detail, for example, the failure to specify that marmalade should be included in patients' breakfast led to an increased charge. But at the very least, this suggests that forecasting the cost of PFI payments, and hence comparing the total cost of PFI as against conventional procurement – upon which the decision to use private finance depends - is not reliable.

In 2003, the hospital Trusts' cost of capital, including the capital element of PFI and capital charges on their existing assets, rose from about 3% of income pre-PFI to 9% income post PFI. Despite an increase in funding, of which more than a third was accounted for by the increased cost of PFI, seven of the 13 Trusts had very substantial deficits, much higher than the national average.

The private sector companies are organised as a consortium or Special Purpose Vehicles (SPV) made up of a bank or finance house, a construction and a facilities management company. The SPVs are financed mainly by debt and have no recourse to their parent companies. They are little more than shells that have no employees. They operate in a complex and opaque web of subcontracting to their sister companies that increases the costs and complexity of monitoring and enforcing the contract, and creates the possibility for transfer pricing, with profit being recorded in related parties rather than the SPV, making it impossible to assess the parent companies' total returns. Statutes and regulations enable them to take advantage of the 'corporate veil'. As 'close companies', none of them disclose the extent of inter-company trading and thus the amount of transfer pricing that serves to underestimate their real profit from PFI.

In 2002, after paying interest, of about 10%, on their debt, which was higher than the total construction cost and rising, the SPVs reported a post tax return on shareholders' funds of more than 100%. The cost of capital constituted 39% of the income received from the hospital Trusts. But this 10% cost of capital is more than double the cost of public finance. Since the NAO (1998) maintains that this difference is the risk premium, the cost of risk transfer to the private sector, this means that the Trusts are paying about £74m or 31% of their payments to their private sector partners as the cost of risk transfer.

But the SPVs' parent companies derive other sources of profit from PFI which are not disclosed by the SPVs' accounts and constitute an undisclosed loss in income and wealth to the public purse. Firstly, a number have been able to refinance their loans after the completion of the construction phase and realise a vast lump sum, indicating how little risk they carry in practice. But this carries with it the potential, as in the

case of the refinancing of Fazakerley prison<sup>2</sup> (NAO 2000, 2002) for the companies to increase their profits in ways that serve to increase the risk to the public sector. Secondly, there are the profits from the land sales as the hospital sites are rationalised and the profits from their subcontracting subsidiaries as well as their finance arms which lend to the SPVs at about 10%, even though as the payments (and thus the loans) are to all intents and purposes guaranteed by the government. Thirdly, some of the subcontractors derive income from user charges for the car parks, canteens, use of patients' telephones and televisions, etc.

While there is however no yardstick to measure whether the hospital Trusts' cost of risk transfer, noted above, is indeed value for money, this does mean that the PFI is expensive and considerably higher than the cost of conventional procurement and challenges the government's justification for the policy. This analysis also raises questions about affordability, the implications for the rest of the NHS' expenditure, future service provision, and the extent to which private finance is a good use of taxpayers' money. At the very least, the experience of PFI does not sit comfortably with the general aim of controlling public expenditure in practice.

***(ii) DBFO in roads***

The use of private finance in roads, known as Design Build Finance and Operate (DBFO), has attracted much less attention than hospitals and demonstrates that the findings reported above were not unique. There is even less financial information relating to DBFO in roads than to PFI in health in the public domain. Again, more information appears to be made available to the capital markets than to the public at large, despite their interest as taxpayers and users.

The financial reporting by the Highways Agency, the public sector procurer, of its DBFO contracts is even more limited and opaque than that of the Trusts, despite an annual cost of about £210m and the government's payment guarantees of the contracts worth £6bn in total. For the first three years of the contracts, there was no financial reporting of the payments made for its eight DBFO contracts to the private sector.

---

<sup>2</sup> Because the private sector's debt repayment profile is restructured, the public sector could find itself exposed to additional termination liabilities, should the contract be terminated for any reason. This increased exposure would occur when the private sector had received most of the benefits and be facing additional costs associated with long term maintenance, thereby tempting the private sector in adverse circumstances to cut and run.

Since 2000, information is provided on an aggregated basis. In the three years for which figures are available (2000-02), the Highways Agency has paid out £618m, more than the construction costs of the projects at £590m, refuting one of the justifications for using private finance – that the government did not have the funds.

In 2002, the SPVs reported an operating profit after subcontracting to their sister companies of £106m or 68% of the revenues received from the Highways Agency. In other words, less than one third of the money was actually spent on the roads themselves. This £106m, less corporation tax of which very little is paid in practice due to tax breaks, is in effect the cost of capital (£95m). With the private sector paying an effective interest rate of 11% on its debt, or seven percentage points above the cost of public debt, this means that about £60m is the risk premium. Thus, the use of private finance in roads is even more costly than in hospitals. But given that the government guarantees the payments to the private sector, effectively underwriting their debts, and the payments are based upon the volume of traffic which has risen consistently for years, there is little risk to the private sector. Thus the argument that risk transfer justifies the extra cost of capital is exposed as little more than a means of legitimising a huge transfer of taxpayers' money to the financial sector.

The SPVs are so cash generative that at least one of them has made an interest free loan up to its parent company for the duration of the contract and borrowed additional money to do so. Without arrangements to ring fence the surplus, should the parent companies or the SPVs fail for whatever reason, despite front loading the payments stream to cover the future cost of maintenance, the Highways Agency could find that it has to bear the remaining and higher cost of private capital and the maintenance costs that it thought it had already paid.

## **Conclusion**

Several points follow from all this. The privatisation of public service delivery further blurs the distinction between public and private sector expenditure. It creates different and additional requirements for the reporting of financial information at national, department, agency, regulatory agency and private sector levels, including subcontractors, that permit public money to be tracked and accounted for. This analysis has shown the inadequacy of both the reporting systems of both the public and the private sector and the forms of corporate governance that

permit a veil to be thrown over the relations between private sector entities and the real substance of the transactions. Secondly, an analysis of such financial information as is available shows that successive governments' claims for such policies cannot be sustained. Thirdly, it shows that privatisation has created winners and losers from these policies: the gains of the financial elite have been at the expense of generations of past, present and future taxpayers and service users. In other words, the two axioms of accountability are not satisfied: it is difficult to track the allocation of resources and some social groups are getting an unfair share of those resources.

Most public services have never been universally provided anywhere in the world on a commercial basis because it was impossible to charge and collect payment from the user at the point of use. In other words, the risks were too high for the private sector. Indeed, public services are provided today precisely because of popular unrest in an earlier period at the lack of such provision. Today the private corporations seek to claw back these concessions and provide the services on a commercial basis with the government ensuring a guaranteed income stream, via the tax payer. In effect, under these new forms of procurement, the government guarantees to collect tax from its citizens on behalf of the private sector over the next 20-30 years. But it also means that *de facto*, the giant corporations that carry out these contracts will more and more come to control public expenditure and public policy.

The lack of even the most basic statistical information makes scrutiny, control and accountability all but impossible and limits the ability to learn from past experience. In the absence of public scrutiny, these policies may burden government with hidden subsidies, diversion of income streams and payment guarantees whose impact on public finance may not become apparent for many years, particularly in the context of essential services for which there is no substitute. More importantly, in so far as the information is made available to the capital markets, albeit unknown to a wider audience, this suggests that the government and the private sector are only reluctant to disclose the information to the public at large. Could this be because these are policies that enrich the few at the expense of the majority and for which no democratic mandate can be secured?

### **References**

Boyne, G.A., (1998) *Public Choice Theory and Local Government: A Comparative Analysis of the UK and USA*, Macmillan, London.

Department of Energy (1988) *"Privatising Electricity: The Government's proposals for the Privatisation of the Electricity Supply Industry in England and Wales"*, Cmnd 322, HMSO, London.

Department of the Environment (1986) *"Privatisation of the Water Authorities in England and Wales"*, Cmnd 9734, HMSO, London.

Department of the Environment, Transport and the Regions, (1998) *Modernising Local Government: Improving Local Services Through Best Value*, the Stationery Office, London.

Department of Industry (1982) *"The Future of Telecommunications in Britain"*, Cmnd 8610, HMSO, London.

Department of Transport (1984) *"Buses and Deregulation"*, Cmnd 9300, HMSO, London.

Department of Transport (1992) *"New Opportunities for the Railways"*, Cmnd 2012, HMSO, London.

Edwards, P., Shaoul, J., Stafford, A. and Arblaster, L. (2004) *'Evaluating the operation of PFI in roads and hospitals'*, ACCA, London (forthcoming)

Health Select Committee (2000) *'Public Expenditure on Health and Personal Social Services 2000: Memorandum received from the Department of Health containing replies to a written questionnaire from the Committee'*, HC 882, Session 1999-2000, The Stationery Office, London.

National Audit Office (1998) *'The Private Finance Initiative: The First Four Design, Build, Finance and Operate Roads Contracts'*, Report of Comptroller and Auditor General, HC 476, Session 1997-98, The Stationery Office, London.

National Audit Office (2000) *'The Refinancing of the Fazakerley PFI Prison Contract'*, Report of Comptroller and Auditor General, HC 584, Session 1999-2000, The Stationery Office, London.

National Audit Office (2002) *'PFI Refinancing Update'*, Report of Comptroller and Auditor General, HC 1288, Session 2001-02, The Stationery Office, London.

National Audit Office (2003). *Managing resources to deliver better public services*, HC 61-1, Session 2003-04, The Stationary Office, London.

National Audit Office (2004) *Strategic Rail Authority: Improving passenger rail services through new trains*, HC 263, Session 2003-04, The Stationery Office, London.

Pollock, A., Shaoul, J., Rowland, D., and Player, S. (2001) *Public services and the private sector: a response to the IPPR*, Catalyst working paper, London.

Shaoul, J. (1998) *Water Cleanup and Transparency: Accountability of the Regulatory Processes in the Water Industry*", Public Interest Report, University of Manchester.

Shaoul, J. (2000) "Privatisation: Claims, Outcomes and Explanations", chapter in *Cultural Compliance*", edited by Greg Philo and David Miller, Longman, London.

Shaoul, J. (2004) *Railpolitik: the financial realities of operating Britain's national railways*, *Public Money and Management*, Vol. 24, No 1, pp. 27-36.

Sinfield, A. (2000) 'Tax Benefits in Non-State Pensions', *European Journal of Social Security*, Vol. 2/2, pp137-167.

Standard and Poor's (2003). *Public Finance/Infrastructure Finance: Credit Survey of the UK Private Finance Initiative and Public-Private Partnerships*, Standard and Poor's, London.

Treasury (2003) *PFI : Meeting the investment challenge*, HM Treasury, London.

Walker, B. and Con Walker, B. (2000) *Privatisation: sell off or sell out? The Australian experience*, ABC Books, Sydney.

*Jean Shaoul*  
*School of Accounting and Finance*  
*University of Manchester*  
*Manchester M13 9PL*  
*0161-275-4027*  
*jean.shaoul@man.ac.uk*



**Table 1: PFI signed projects list as at July 2003 (All projects)**

<b>Functional area</b>	<b>Department</b>	<b>Number of signed projects</b>	<b>Capital value (£m)</b>
<b><u>Administrative</u></b>			
	HM Customs & Excise	1	14
	Constitutional Affairs	11	263
	Work & Pensions	7	930
	HM Treasury	1	563
	Inland Revenue	8	391
	Office of Government Commerce	1	10
	Public Records Office	1	-
<b><u>Health</u></b>			
	Health	117	3,162
<b><u>Education</u></b>			
	Higher Education *	At least 6	278
	Further Education *	At least 8	113
	Schools *	At least 6	1,000
	Total Education & Skills	96	1,979
<b><u>Criminal Justice System</u></b>			
	Home Office Prison Projects *	At least 14	613
	Home Office IT projects **	At least 6	677
	Total Home Office	36	1,633
	Local Authority Police projects in England and Wales *	21	300
	Local Authority Probation Service projects in England and Wales *	6	14
<b><u>Other</u></b>			
	Culture, Media & Sport	5	60
	Environment, Food & Rural Affairs	11	346
	Transport	37	20,496
	Trade & Industry	8	180
	Foreign & Commonwealth office	2	91
	GCHQ	1	330
	Defence	46	2,492
	Northern Ireland	29	416
	Office of the Deputy Prime Minister	42	549
	Scotland	78	2,136
	Wales	26	502
<b>Total</b>		<b>593</b>	<b>36,413</b>

Sources: PFI Signed projects List – July 2003

[http://www.hm-treasury.gov.uk/media/D6678/pfi\\_signed\\_list.xls](http://www.hm-treasury.gov.uk/media/D6678/pfi_signed_list.xls) (10 February 2004)

\* DoT Construction Statistics Annual, 2002

\*\* PFI Signed projects List – July 2003

<http://www.pppforum.com/signedprojectshub/ho.html> (10 February 2004)