A response to the government consultation on a new approach to public private partnerships

Who we are...

The [Intergenerational Foundation] (IF) researches fairness between current and future generations in the UK, in order to protect the interests of younger and future generations, who are at risk of being ignored by current policy-makers.

Our response...

This is a general response to the consultation on the government's new approach to public private partnerships, rather than a specific response to any of the precise technical questions which were raised in the consultation document.

IF feels there are a number of problems with the way PFI deals have been used in the past. Public private partnerships have historically involved transferring a long-term financial burden onto future generations of taxpayers in order to satisfy short-term political objectives. According to figures released by HM Treasury, there were 719 separate projects with total outstanding liabilities of over £300 billion in March 2012 (Rogers and Ball, 2012). The investigation into PFI deals by the House of Commons Treasury Committee has criticised the public sector for commissioning new infrastructure without the spending this involves appearing on their budget sheets or being deducted from their capital budgets (House of Commons, 2011).

Passing on such a large financial burden to future taxpayers is intergenerationally unfair, especially when there is a strong likelihood that many of these projects will have become obsolete before the PFI debts have been fully paid off. In order to protect the interests of future generations, IF recommends that the following concerns should be taken into account when PF2 deals are being structured:

- **Conduct intergenerational impact assessments** – All PF2 deals should include an assessment of their likely financial impact upon future generations. This should attempt to quantify factors such as long-term economic impacts and the risk of obsolescence. IF could provide advice as to how such intergenerational impact assessments could be carried out in practice.
- **Assessment of lifetime value of projects –** An estimate of the likely useful lifespan of the infrastructure which is being built should be factored into PF2 deals at the planning stage,

so that future taxpayers will not be committed to paying for infrastructure – such as obsolete schools and hospitals – from which they do not derive any benefit. This is the fairest way of factoring the interests of future generations into PF2 deals.

- **Make sure all PF2 deals are recorded on balance-sheet** – In order to ensure transparency and accountability, all PF2 deals should have to be recorded as expenditure on balance-sheet, alongside estimates of the total lifetime liabilities arising from each PS2 scheme which have been calculated using a range of different discount rates.

- **Submit PF2 deals to FOI** – As another means of ensuring transparency and accountability, all PF2 deals should be subject to the Freedom of Information Act (2000). This should include making the private sector partner involved in a PF2 deal subject to FOI, in addition to the public sector body which commissions the project.

Conclusion...

In order to help put the interests of future taxpayers at the heart of the new PF2 deal structure, IF would be willing to discuss any of these ideas further with HM Treasury and Infrastructure UK.

For more information about the Intergenerational Foundation and its work, please visit www.if.org.uk or contact Liz Emerson, Co-Founder at liz@intergenerational.org.uk.

References:

- House of Commons (2011) *Private Finance Initiative – Seventeenth Report of Session 2010–12* London: House of Commons Stationary Office

- Rogers, S. and Ball, J. (2012) "PFI Contracts: The Full List" *The Guardian Datablog* Thursday 5 July 2012