



The Thomas Consultancy



PFI Market

1. There are a number of well-publicised concerns about PFI, affecting both client side and provider. These include bid time and costs, single bidder status, value for money and design quality.
2. Nevertheless, PFI accounts for 10-15% of total public investment and is expected to continue to do so, with the prime focus on projects worth £20m plus.
3. As of 1st October 2005, 445 projects, each with a capital value of over £15 million and a combined capital value over £45 billion, had been signed. Of these 312 projects, with a combined capital value of over £37 billion, were completed and operating.
4. Four key sectors accounted for most of the projects: Transport (37 projects completed, £20bn), Defence (39, £3.3bn), Health (38, £2.4bn) and Education (5, £2.0bn).
5. Other significant government departments include ODPM, Home Office (£1.5bn each), DWP (£1.1bn) and Defra (£1.0bn).
6. However, the value of signed PFI contracts in 2005/6 is estimated at £4.1bn, a decline of 22% on the previous year and well below the peak of £9.8bn in 2003/4. According to a recent report by MBD, this will gradually fall to £1.6bn by 2010.
7. The emphasis will be on fewer but larger projects.
8. Looking forward, education (including Building Schools for the Future, which is expected to use PFI for around half of its programme) will remain an important sector. The current concerns over hospital PFIs may impact on that planned programme.
9. Emerging sectors include waste (prompted by the EU's Landfill Directive) and social housing, where the government is keen to use PFI even though the experience to date has been mixed at best.
10. Key players include the 107 members of the PPP Forum, which play a leading private sector role within the PPP industry. They include contractors, funders, accountants, solicitors and consultants.

