

TRANSCRIPT OF PRESS BRIEFING ON PUBLIC-PRIVATE PARTNERSHIPS  
GIVEN BY THE CHANCELLOR OF THE EXCHEQUER  
AND THE DEPUTY PRIME MINISTER  
AT THE COMMONWEALTH INSTITUTE  
ON THURSDAY, 26 SEPTEMBER 2002

CHANCELLOR

I'm very grateful to all of you for joining John Prescott and me here at the Commonwealth Institute. The reason that we are meeting here this morning is that I am chairing the Commonwealth Finance Ministers' meeting here, and John is visiting and meeting Commonwealth Finance Ministers as well.

With today's London dossier that you will all be given, the first in the nine regional pamphlets highlighting the value of public-private partnerships with information on risk transfer, whole life costing of projects, innovation and delivery, design quality, flexibility on alternative effort as well as user satisfaction, we are showing the importance to our public services of a partnership between private and public sectors. To tackle the economic costs of poor infrastructure investment, the backlog in it, long-term chronic under-investment in our public services will rise from £22 billion, when the previous government left office, to £44 billion in 2005-06, a total doubling of public investment. And if we take these figures net of depreciation, public sector net investment is increasing dramatically from £5 billion in the last year of the last government, to £24 billion in 2005-06. So with all the figures we are publishing today it cannot be said that private finance is being used to replace public sector finance, or if the government is, as we are accused, opposed to using public investment when it is the right way forward. But partnerships with the public sector since 1997 are making and will continue to make a large and central contribution and they will deliver £35 billions in total of investment in completed and projected deals. That includes £14 billion, £13.91 billion of signed PFI deals since 1997, £5.2 billions investment in the Channel Tunnel Rail Link, a further £16 billions of PFI projects in procurement, and that means that in health 40 major public-private partnership hospital projects contribute to the largest hospital building programme this country has seen and in the history of the NHS, a further 60 are in procurement. On education £1.3 billion has been invested through PFI, 550 schools in England and Wales have benefited. So with the scale of both public and private investment increasing massively in this country we have moved far beyond the old sterile opposing positions of private good public bad, or public good private bad.

For infrastructure projects it is an even more effective partnership between the two sectors that we are seeking, and we have learned from past experience both in failed privatisations and in badly run public sector investment projects how to do things better, and we list these in the press release that is being issued to you. For infrastructure investment, the old relationship between public and private sectors, the private sector as contractor, the public service as manager and risk bearer is not the best way forward, especially in complex long-term infrastructure projects where the requirements of ongoing maintenance are as big as the construction project itself. Here the private sector can raise additional capital, offer access to skills and disciplines in project management, often more innovative design with payments through the life of the contract depending on continuing to meet clear targets and often a more effective risk management that allocates risk to those best able to manage them. The allegation that rejecting the PFI means choosing public rather than private does not make sense at all, because for decades it has been private companies that have been building Britain's hospitals and schools.

Before the PFI however private companies handed them over to the public sector with little or no obligation to repair the faults, certainly none for future upkeep, the public sector tended to meet the cost of the building and responsibility for its upkeep, the private sector could walk away with no ongoing responsibility for the quality of the work, so we are using PFI to ensure value for money and that the public interest in public services are properly protected when we increase public investment. Our reforms ensure that private contractors are now bound into long-term maintenance contracts and they show the responsibility for the quality of their work. And we continue to work closely with employers and trades unions to ensure that the rights, conditions and pensions of employees are properly safeguarded.

No Labour Government could support imposing a moratorium on hospitals and schools, and thus bringing building work to a halt even when plans were in place, builders ready and cash available. And no Labour MP could explain to the constituents why building sites were left empty, thousands of construction workers had lost their jobs, and most importantly having promised schools and hospitals first, they were being put second to ideological dogma. We will not put hospitals and schools second to dogma. To those who say we should simply add to up-front borrowing, my answer is that no responsible Labour Government could maintain trust in fiscal responsibility if we lurched back to the bad old days of reckless borrowing.

But the biggest error of those who oppose the PFI is to equate the use of private finance to expand public services which is what we are doing

with privatisation of these basic social services. The danger to the NHS is not posed by PFI which provides private money to invest in the NHS's expansion but Conservative proposals to break up the NHS, put hospitals and schools in the private sector, and introduce new charges, vouchers and top-up fees. While we are reforming the NHS, matching investment in new capacity with new incentives and penalties, greater freedoms to manage within the public sector for high-performing hospitals, guaranteed three-year budgets for hospitals, more choice and more flexibility for local arrangements, the Conservatives would force hospitals into the private sector, the priorities then would not just be to sell privately to Primary Care Trusts but to paying individuals in BUPA-style insurance companies, the best treatments would then become available on the basis of ability to pay and not on the basis of clinical need. Such attempts to privatise health care in Britain would fail the test of both efficiency and fairness. With capacity constrained, privatised local hospitals would be forced to compete for scarce doctors and nurses, that would push up costs and prices, as demand exceeds supply. That would risk the NHS extra funds voted in the Budget being swallowed up in rising prices and costs, value for money would thus be undermined. We would be making the same errors that the USA made with its health care system in the 1980s, and such an attempt to break up the NHS would lead rapidly to a two-tier service, vouchers would mean that patients either pay top-up fees or travel to cheaper hospitals. Those who could not would be forced to settle for second best. Hospitals would offer NHS treatments but make clear that privately paid services were much better under the Tory plan.

So the issue is not public good private bad, or private good public bad. The real divide is between the Labour Government's policy of reforming and modernising the public sector, including using private finance to build NHS hospitals. Under the Conservative policy of new charges and vouchers and putting hospitals into the private sector. Our decision, the decision that we stand on, is to ask the public for a rise in National Insurance to reform and invest in the NHS, seeking not just an NHS free at the point of need, but an NHS of such high standards that it is once again the best insurance policy in the world.

#### DEPUTY PRIME MINISTER

I am delighted to be here with the Chancellor to present what has been clearly a very successful programme in public-private partnerships, but also to make the very clear point that this was something not devised in government. It was actually detailed as a policy and a programme by Labour in Opposition in 1993 under the leadership of John Smith. Both Gordon and I produced a document at that time. The title was "Financing Infrastructure Investment ? Promoting Partnership between the Public and Private Finance". And that has been in all our manifestos and indeed

the London manifestos and local manifestos that we would provide public and private partnerships. So it has been a long held policy both in Opposition and now we have had a successful opportunity to present it in Government. And we did so because we felt there was going to be a massive deficit in the amounts of monies and investment programmes and the disinvestment was quite considerable. We inherited something like £27 billions deficit on the books, and public sector net investment had fallen from a high of 5% GDP in 1963 to a low of 0.6% in 1997. We faced for example a £7 billion backlog of repairs in our schools, a £19 billion backlog in social housing, and £3 billion backlog in the NHS. The Tory answer to this of course was to privatise it, and the costs and delays that went with it. Our alternative ? the public-private partnership ? is a different way of doing it, and we have now advocated it for the last 10 years. Partnerships between the public and private sectors are not just about bringing additional investment into public service, though that it is obviously crucially important. They help develop new ways of working and bringing in new expertise, ingenuity and rigour. They help us to manage and increase investment efficiently, encourage innovation, and meet the rising expectation of the public and guaranteed to deal with the real problems in our economy over the last few decades, the failure to provide long-term investment in these circumstances. Indeed, I might say it is the changes that Gordon made in the Treasury that have helped us to deliver this programme, because previously in all demand management problems the public sector investment was always the first casualty in previous administrations.

Now the future of the PPP is quite clear and there have been some unjustified attacks upon it. PPPs are just as safe as public projects. It is not true to say they are unsafe. All PPPs pass the value for money test. Investment raised by PPPs is in addition not to replace public investment, an addition to public sector spending and not a supplement to it. And Gordon has given us the extent of that investment, so I won't be repeating it and it is in all the statements. But there is a real price to be paid that if you do not carry out these investment programmes in public services, and those who say they don't want to agree with public private partnerships, or even ask for a moratorium, should ask themselves what is the real price in delaying such programmes. I'll tell you the real price that the Labour Government has to be concerned about. The real price is a leaky, overcrowded classroom. Who pays for it? The kids who have to live in it. The real price in delayed operations. Who pays for it, the people who are waiting in pain. The real price is the delayed journeys. Who pays for it, the passengers, and the real price is the lack of care services. Who pays for it, well the pensioners amongst others.

So, today's public private partnerships are involved in every aspect of

our public services. They are in our schools, hospitals, prisons, child care, defence and waste management, and certainly in transport. And they are in all parts of the United Kingdom. You have a document here that shows you just how much investment is going on in different parts of the public sectors in every constituency in part of London. It is our intention because we have worked out the programme from all the regions, to release the document for all regions to show MPs just how much of public-private partnerships are taking place in their constituencies with no protest whatsoever. And no MP has ever approached me, and I suspect Gordon, to say stop that hospital, stop that school, stop that investment. They all say very good and go to the openings. And that is the difference, and we need to bring that case home to people.

You would think that public-private partnership is solely about the Underground. They would defend the Underground record and the amounts of money they are having to go into it. If there was ever a classic case of public sector being subjected to the demand management problems is to deny London Underground a proper long-term investment programme. It was all too easy for governments to pick up the phone, ring a nationalised chairman, and say hey, I'm sorry we have got a bit of a problem on the inflation, got a bit of a problem on demand. We are going have to cancel your public sector programme. And that's what they used to do. And now we are paying the price for it, because you can only go on so long doing that. It happened to our railways, it happened to our hospitals, it happened to our transport system. And it's about time we found a way of doing it. Now it's true you could just fund it from public money if you wanted. But you can reduce that deficit much quicker if you can have public-private partnerships. And that's precisely what these programmes have been about. And I would say that what has happened is that all parts of the United Kingdom have benefited from it, and they have got the results of these investments and enjoying these benefits in the hospitals and in the schools a lot earlier than they would have been if you had solely been relying on the public sector provision in investment.

So the essence of PPPs is indeed the flexibility. It is more flexible, finding practical financial solutions to problems that really matter. It reduces the backlog of disinvestment in a quicker timetable. Now, I'm not obsessed with ideology, but I do believe in providing first class public services. Traditional values in a modern setting if you will allow me to use the word. There will always be a line the politicians must draw. Certain things that the state should provide, certain things that the state will always do better, and especially in the provision of universal services for all. That is quite a critical point and it is a critical point in the analysis and thinking of the

Labour Party in the approach to public-private partnerships. There is a line to be drawn. It is not where you totally give over to private financing. There is a line. Some things are better provided by the state, and some in the circumstances by private, and public-private partnerships bring some of those benefits together. So PPPs and PFIs are nothing to be scared of. They are just a different way of providing a public service. They bring private sector benefits to the public sector, and the public sector is always the principal client for the underlying service. This means we can harness the best of both public and private sectors. PPPs may not be the answer to all our problems, but when it comes to public services they are an essential part of the story and an essential part of the solution. They are here to stay and this government is completely committed to them, right through the Cabinet. 40 new hospitals and another 60 on the way. 150 new schools, with another 250 on the way. 400 refurbished schools. Scores of road and rail investment. More people employed in the public services. I ask you to look back on the economic record in the last few decades and look to any period where you can show that scale of public investment of providing more services and providing more jobs. So it's nothing to be ashamed of, nothing to apologise. I am proud to be involved in it. I am proud to have worked with the Chancellor who made the changes in the Treasury, because let's face it going back a few years they were a force that have actually contributed to the lack of investment in our public sectors. We have made the changes, we are on the way to do that and indeed it is something I am proud to have been involved in, but more important there are millions of our people, up and down this country, who have benefited from these programmes as we promised in our manifestos, national, local, and indeed in London. Proud to belong to a government that carries out its manifesto promises.

CHANCELLOR

Any questions then?

QUESTION (BBC NEWS ON LINE)

Chancellor there are a number of comments in the press about a disagreement between yourself and the Health Department over the future direction of foundation trusts, a key part of the government's strategy for the Health Service which you have made much of in your remarks. Can you comment on the nature of these disagreements and when they might be resolved? Particularly I believe they are reported to be concerning the question of how much freedom these foundation trusts would have to borrow money in the private sector.

CHANCELLOR

I mentioned in the statement I have just given you the importance of high performing local hospitals being given the support and flexibility

to manage, and I also say that the dividing line between ourselves and the Conservatives is very clear on these issues that while we want to give local freedom to hospitals to manage within the public sector, what we will not do of course is privatise our hospitals. And that is absolutely clear from what I have said in the statement, and that was the position of the Labour Party at the last election. There is a debate obviously about the structure of foundation hospitals and that obviously will be resolved, but it is on the basis of high performing local hospitals being given new flexibilities which we all support in the public sector. They have got three year budgets under the proposals we made in the Budget itself. There is a distinction, and that is the distinction in the public mind, that we will be giving hospitals the power to do more in the public sector and privatising which we wouldn't do.

#### QUESTION

(inaudible) in advance of a moratorium on PFI and PPP. Are you prepared next week to face defeat at the Labour Party Conference to make this point?

#### CHANCELLOR

We are going ahead with our proposals. There will be no moratorium on hospitals and schools. As John has just said, the work to build schools and build hospitals goes on. There are 60 hospitals in procurement and therefore potentially are there to be built. The idea that we should place a moratorium on 60 hospitals is just quite unacceptable. Equally there are hundreds of schools already refurbished, but hundreds of schools in the programme. Not just in England and Wales, the figures that I mentioned, but in Scotland and in Northern Ireland and again we are going ahead with the schools. They have got to be improved. They have got to be revamped. In some cases totally rebuilt. So there is no question of any moratorium.

#### QUESTION

This would be the first defeat at a Labour Party Conference since you came to power.

#### CHANCELLOR

There is no question of having a moratorium.

#### DEPUTY PRIME MINISTER

He's giving us a conclusion about a Conference that hasn't even taken place yet.

#### QUESTION

I'm only judging from your response that there going to be no quarter

given to the Unions on this. You are not going to attempt water down the motion that ..

CHANCELLOR

The idea that Labour MPs will go back to their constituencies and tell people that for reasons other than the inability of us to fund these programmes for reasons of dogma where we are going to postpone or cancel or place a moratorium on hospitals and schools these constituencies need is just completely unacceptable, and I think anybody who thought about it knows that it is unacceptable.

DEPUTY PRIME MINISTER

Can I say also there has been a moratorium. It has been 18 years when we didn't invest in these ... and a lot of people paid the price for it. I've tried to indicate some, and that's the balance we have to make. Secondly, whatever is said at Conference in these matters is a proper expression of a view is held, but our policy-making is made through policy forums. It is there we make decisions on it, and so far it has been confirmed that what we are carrying out is the manifesto of the Party. You can't have a change here and there on the suggestion that the manifesto has to be changed. We have a proper decision-making process now under policy forums for those decisions. Conference will give us a useful indication of how it feels about it, and I hope the Unions will think seriously about that since hundreds and thousands of their own members are actually involved in public service contracts.

CHANCELLOR

Yes Michael?

QUESTION

I think everybody understands what you are trying to do, Chancellor. The Deputy Prime Minister earlier said he has been going down this course for years, but what worries the Unions so far as I understand it, and worries nurses and teachers and parents and patients too is whether or not you are paying too high a price for what you are trying to do. And there are people who know better about these things than me tell me that bright young men from the Treasury who haven't been out much sit down to negotiate with Jarvis and with Amey and first they lose their trousers and then the gold filling in their teeth and then they are made to sign a contract at excessive cost in which none of the risk has seriously been allocated, as Railtrack's performance underlines, and that the revenues which you are providing for the schools and the hospitals and the transport services, far too large a proportion of them will be spent in the years to come, and we don't know yet because it hasn't happened, like the Labour vote next week it hasn't happened yet, and nor have the payments on these contracts, are going to eat into the

number of nurses, doctors, equipment, school services which would otherwise have been provided. That's what frightening them, value for money in your words, and risk allocation. What can you do to reassure them that it is all going to be all right on the night, because it is still a matter of trust.

#### CHANCELLOR

It's the publication of the London report today, 9 regional reports around the country, showing the value for money we are achieving from public-private partnerships. And public-private partnerships are built on the idea that whereas in the past, the private sector walked away after building a hospital or building a school and faults were then discovered later and no responsibility was taken, maintenance was more difficult and no responsibility was taken. This is a far better deal for the public sector, binding in the private contractor to ongoing maintenance to repair any faults and to make sure that the buildings that they deliver are buildings that last not for the first month until the opening, but for the years ahead where they are needing to be done. So in principle this is far better value for money. In practice the London report shows that we are getting better value for money. Railtrack was a privatisation, not a public-private partnership, Michael, and as far as the questions that nurses and teachers are asking, the answer is what John said. We should not be asking nurses to work in dilapidated hospitals, we should not be asking teachers to teach in schools that are run down. We have got to build these schools and repair them. We have got to build the hospitals and repair them. If we were having to fund the programme by the traditional means of finance we could not have started nearly 100 hospitals either in procurement or in being built at the moment. We could not have started as many as 500 schools being modernised. It would have been impossible to do that in the first few years of the government, and therefore the choice would have been not building the schools and not building the hospitals, and I was not prepared to go along that road. Nor was John.

#### DEPUTY PRIME MINISTER

But nobody takes into account the costs of disinvestment. They quite considerable. Everybody always understands if you don't do a repair on the road, it costs you more in the long run. But if you follow that through in ... even the rail transport it costs you an awful lot if you don't have a proper replacement investment programme. Now that doesn't get fed too much into the figures. That's why politicians have found it easy to put off the long term investment. But there is a real price and I mentioned some of the people who have to live on these services ? enjoy these services ? they are the ones who have paid the price. But to my mind there is a very important other issue as well. You can borrow if you want, and that's what people would argue, and many of the

trade unions say why don't you keep on borrowing. You get high borrowing, you spend more on interest payments and inflation costs than we did under the stability we have got under Gordon's kind of developments we have had in the economy. Now you then pay more for the investment because the inflation rates are higher, but a much more difficult problem is that you get boom and bust in the economy and you get the unemployed, and you then begin to pay for them as well. So, there is an overall cost here, as well as social and economic, and it has to be put in its context. So this programme has to be seen alongside a stable economy where we have got low interests rates and low inflation compared to the boom and bust situation, and that comes through heavy borrowing. We transfer it. We don't pay any interest now. We have a social dividend where we invest in hospitals and schools, and that's a better way of doing it.

#### QUESTION (DAILY MAIL)

The Labour dominated Public Accounts Committee has already raised questions about value for money. The unions appear to be just asking for a 12 week moratorium on new projects. Wouldn't it be sensible to do that, have an independent enquiry, and prove your case?

#### CHANCELLOR

That's not what the Motion says. The Motion says that a moratorium on further public finance projects, and I think you've got to look at the Motion. And I just say there will be no moratorium either for 12 weeks or for 12 months, or potentially for years if that sort of proposal was passed. As far as the Public Administration Select Committee report is concerned, it is not opposed to public-private partnerships. The idea that it should be used as a mechanism of destroying public partnerships is quite wrong. It said it is possible for private and voluntary sector organisations and people to uphold the public service ethos and I really do think that people must now look at the facts. The facts are contained in the London report, and in other reports, in the figures I have given about the amount of money extra we have been able to invest, and the facts are there on the ground. The new hospitals and the new schools, and the new hospitals and schools on the way.

#### QUESTION (NICK ..... )

Two questions. If PFI is so good, why do you think the opposition to it is so high. The second question is if it is good to borrow from the private sector to build this infrastructure, why is it a bad idea for foundation hospitals to borrow it from the private sector.

#### CHANCELLOR

Why has there been opposition. There is not opposition from the vast majority of the public. They welcome the new schools and the new

hospitals. They welcome the extra investment that is taking place. They are crying out for the new investment that we want to make in transport right round the country. So the idea that there is widespread opposition from the public is absolutely wrong. There are one or two unions who are complaining about what is happening ? mainly in relation to conditions of service. We actually have dealt with many of these issues, and are dealing with some of the issues that have been raised by them, but that is not an excuse for opposition in principle to something that is delivering public investment, and it is certainly no excuse for calling for a moratorium on much needed developments.

As far as borrowing is concerned, I published my figures in the government Public Expenditure Review that was issued in July. It shows that we operate a Golden Rule, and therefore the Golden Rule is that current expenditure must balance over the economic cycle, and that borrowing is sustainable as long as levels of debt are prudent. And our levels of debt have been reduced from 44% to 30%. It has allowed me to put forward a programme of public investment that involves borrowing into £10, £12, £14 billions. The figures are published in the document in July over the next few years. And that is absolutely right. But we are not going to return to the old days where anybody could borrow. Government sanctions borrowing by all sorts of different organisations. Bills were then run up in an irresponsible manner and the government had to be guarantor for all these things. We can only proceed in a sensible and prudent way, and there cannot be therefore reckless borrowing. So we have announced our public expenditure plans, we have announced our borrowing figures for future years, and I think you would agree that the Treasury has a responsibility to ensure that there is proper discipline in the organisation of public finances, and that I intend to continue to do.

#### DEPUTY PRIME MINISTER

And I think you have got to recognise that quite properly some of the trade unions are always concerned about their memberships, and their benefits as they see them, and they judge it whether they think that benefit is better or worse than what was previously there. It is quite true that some of the things have been difficult in this area, and we have made some changes to meet those demands and we continue to have discussions about them. But it is largely about conditions of service. I haven't seen anybody picketing the new hospitals and saying we are not going in there today because it's PFI. That's bloody nonsense.

#### QUESTION

They do actually, because they say that the hospital in Norwich, for example, and the hospital in Carlisle, the numbers of beds were scaled

down to meet the PFI requirements, and there aren't enough beds ..

DEPUTY PRIME MINISTER

There's a lot of misinformation gone on about Norwich, but let me just concede. There have been some concerns expressed. The point I am making is that the workers didn't stay out of the Norwich Hospital, they didn't stay out of the Middlesex Hospital. They will tell you these are far better conditions to work under. I visited one only a couple of weeks ago, during the Summer Watch period, but they do enjoy that and they want it. But they have some concerns about their conditions of work and we have to address ourselves to it.

CHANCELLOR

There are people who have asked questions and there are people wanting to ask questions. I am going to take all those who have had their hand up. Yes, right at the back.

QUESTION

Is the threat of defeat at the Conference next week the reason why David Treason (phon.) is talking today about scrapping the block vote and having policy issues like this decided by the individual membership at Conference in future?

DEPUTY PRIME MINISTER

It sounds like a new idea from new quarters. I haven't heard about it, no.

QUESTION

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DEPUTY PRIME MINISTER

... with the Executive. I didn't hear any kind of proposal there. We have to learn everything from the Press don't we. I can always believe it's in the press anyway, but I note it. We'll have a chat to him.

QUESTION (NEIL MACDONALD, CHANNEL 4 NEWS)

On the question of why people don't trust PPP, do you recognise that something like Capita's handling of the checking of teacher's credentials is the sort of thing that people do worry about with PPP because, as the company explained to us, when things went wrong and they found that their computer system wasn't going to handle things they were planning to go back to the Department of Education and ask for more money to cover the cost of a new computer system, and so people perceive that they get paid when things go right, and when things go wrong they get paid more.

CHANCELLOR

Well, every instance that is raised has got to be looked at and I have always said that and we in the Treasury are determined to ensure that there is value for money. But I have got to point out that the biggest problems that we inherited were problems arising from the old arrangements and we had Guy's Hospital three years late and 400% over budget under the old arrangements. Trident Submarine 2 years late and 200% over budget, the Jubilee Line 2 years late and again 67% over budget, and I could go through the projects that were badly done under the old system. What we have done is come in, the PFI of 1997 is not the PFI of today. We have reformed it, modernised, changed it. We revamped it. We believe it is far better and is delivering in a far better way. Now of course we will look at individual instances and I have always said to trade unions and others who raise these issues from local areas, we look at every project and assess whether we are getting value for money, but nobody can come to us and say that the old arrangements, with the over-runs, with the lack of maintenance guaranteed, with the faults that were eventually discovered in these projects was a good way of doing business. It is far better to bind the public and private sectors in together with a programme of payment by results, and that is what we intend to do. So each individual instance will be looked at. As a general principle it is very clear that we cannot go back to the old days.

CHANCELLOR

Anybody who has not answered a question who would like to put one? OK I'll take this and that will be the last one.

QUESTION

Just ... on this trust in the public what seems to be a bit of mistrust both amongst the unions and perhaps among the public, would you accept that there were mistakes made even in the early days of your own PFI approach, for example with the issue of refinancing Fazakerly (phon.) Prison and so forth, and that part of the problem now may be that although your basic thrust ..... that a but more humility might actually be helpful in convincing both the public and the unions that you are going through a learning experience on this yourselves.

CHANCELLOR

But we have actually said that we have learned from what has happened. We inherited a situation that was unacceptable and had to reform it. But the bigger mistake would be to deprive the public of the much needed investment in hospitals and schools by returning to the old days which we know did not work and we will neither return to the old days of reckless borrowing, nor will we return to the old days where the private sector built hospitals and schools and was able to walk away without

meeting the obligations where there was upkeep that was required because of design faults or anything else and we believe we have got in principle a better way of moving forward. We look at every instance where we check value for money. We have been very open about publishing the details of all the projects under way. Today is part of that process with the London document, and we will continue to do that. But there is a big difference in scale and a big difference in the dimension of this from saying that one project had a cost over-run and we should examine it, and scrapping the whole PFI deals or even putting a moratorium on hospitals and schools. There is a world of difference between the two. We are not going to deprive the British public of the hospitals and schools that they need.

DEPUTY PRIME MINISTER

And there has been a learning experience. I can say as the Secretary of State for Transport and Regions when I was doing a lot of these projects. You can have consultants in and they will tell you with the greatest confidence that it is only this, then they come along in 12 months and tell you why it is not that and that it is much higher or something. So you do learn by the process. It is not as if we have come in and everything has worked out. We have fundamentally changed it, as Gordon said. It was our basic idea going from 1992 before the Tories started on it. The Tories turned it into a privatisation programme which was to reduce the kind of public sector involvement and at the same time to get a few bob into the Treasury. We have learned from a number of things and even on the Labour conditions side Gordon and Secretaries of State in different areas have made changes to meet these demands. It is ongoing. Yes we learned from experience. But we are not in doubt of the extra additional money that comes this way that enables us to deal with the massive disinvestment that goes right through the British economy.

CHANCELLOR

Thank you very much for joining us this morning.

(END OF TRANSCRIPT)