

# UK Government Bails Out Key Construction Projects

Tuesday, March 3, 2009

LONDON: The **British government pledged funds Tuesday to rescue 13 billion pounds (\$18.3 billion) worth of key public infrastructure projects being built by private companies that are at risk of collapse** because of the economic downturn.

The deal, which could cost the government up to 2 billion pounds, is **designed to ensure that the construction of schools, roads, hospitals and waste facilities goes ahead as planned under the so-called Private Finance Initiative.**

There are currently 110 outstanding projects under the initiative, which sees private companies build public sector projects.

The government said its financial pledge would ensure investment in the projects that will be necessary to Britain for any future economic recovery and avoid potential delays to construction caused by seeking alternative deals.

**The Public Private Partnership Forum warned last month that it might need a 4 billion pound bailout within 18 months**, after its members met with difficulties raising funds.

“These projects will create jobs and support the economy as well as delivering vital infrastructure that local communities need,” said Treasury minister Yvette Cooper.

“That’s why we’re determined to get them moving as soon as possible without extra delays,” she added. “Where

the private markets aren’t working properly, it’s right that the government should act to get things moving.”

Cooper said the temporary loans would be made to companies that could not raise the funds on acceptable terms and would be repaid at a commercial rate.

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Work safeguarded by the plan includes 3.5 billion pounds in waste treatment and environmental projects, 3.1 billion pounds of transport projects and 2.4 billion pounds of school projects, she said.

The Treasury said the money would come from “unallocated funds and departmental underspends on previous projects.”

The Private Finance Initiative projects usually make up around 10 percent of public capital spending.

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The use of the initiative instead of more traditional public financing structures has been criticized by opposition lawmakers.

**“The whole thing has become terrible opaque and dishonest and it’s a way of hiding obligations,”** Liberal Democrat Treasury spokesman Vince

Cable told BBC radio. **“PFI has now largely broken down and we are in the ludicrous situation where the government is having to provide the funds for the private finance initiative.”**