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Private Finance Initiative Market - UK 2010-2014

New AMA report reviews the PFI market in the UK and considers future prospects.

"Launched in 1992, the Private Finance Initiative has evolved to become a major source of funding for capital sector schemes, currently accounting for between 10-15% of total capital investment in public services. According to the Treasury Signed Projects List, to date a total of some 666 projects have achieved financial close with a total capital value of £55.1 billion."

A brief summary of the report is included on the following page.

Priced at £650, the report is currently available from AMA Research Ltd, Telephone 01242 235724 or e-mail at sales@amaresearch.co.uk.

Editors Note:

Attached is a summary of the report. Please use brief extracts if you wish, **but we would request that references to company market shares are not published without our prior permission.**

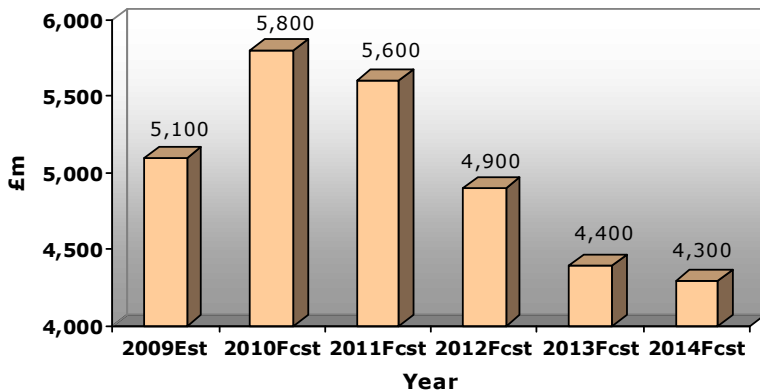
If you would like to receive an editorial review copy or would like to speak to an author of this report, please contact Keith Taylor or Chris Moore on (01242) 235724.

Please include our web address and telephone number on any review printed, it would also be appreciated if a copy of the review could be forwarded to AMA Research. Thank you.

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Forecast Capital Value of Projects Achieving Financial Close 2009-2014



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Despite expenditure revisions which have involved the Government bringing forward £3bn from 2010-11 to 2009-11 to stimulate the economy,

the PFI market has been significantly affected by the global financial crisis in late 2008 and into 2009. This has reflected in particular the difficulty experienced in raising the necessary finance.

Between 2005 and 2009 project values have more than doubled to a current average of around £156m. One contributory factor has been the development of 'batched' schemes following the introduction of the £20m threshold for PFI projects, as well as more recently the impact of the extensive Building Schools for the Future (BSF) programme.

The Private Finance Initiative has been the subject of controversy since its inception, with key areas under the spotlight including the affordability of repayments on long term concessions and lack of flexibility in the face of changing requirements. Despite this the present Government has remained committed to PFI as a means of procurement.

Use of PFI within Scotland, Northern Ireland and Wales is significantly affected by the political stance taken by the leading parties in the devolved governments. The current majority parties in Scotland and Wales are at present largely opposed to the use of PFI.

The majority of PFI projects are Design, Build, Finance and Operate (DBFO), encouraging market dominance by consortia and large conglomerates with divisions providing construction and support services. Furthermore, the high bid costs involved tend to favour larger companies or consortia able to absorb the costs in the event of a failed bid.

The last few years have seen considerable consolidation among PFI providers, resulting from mergers & acquisitions within the construction and FM sectors, market withdrawals and business failures. In addition, high bid costs and the risks involved have led an increasing number of contractors to limit their exposure to PFI.

It should be noted that the extent of the projected Government cutbacks and the impact at a departmental level may be significantly affected by the outcome of the next election, due by June 2010 at the latest. However, while there is expected to be a downturn in the level of project signings over the next few years, the long FM term contracts associated with the majority of schemes will continue to support a significant and growing level of repayments to participating contractors over much of the next decade.

AMA Research's report "**Private Finance Initiative Market – UK 2010-2014**" is available in hard copy or electronic format for £650 and can be ordered online at www.amaresearch.co.uk or by calling 01242 235724.