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PRIME MINISTER 13 DECEMBER 1988

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ACCESS TO PRIVATE CAPITAL

The Bromley project strikes right at the heart of this issue.

Bromley desparately needs a new hospital to replace three existing sites. The Orpington site is particularly depressing. Most of the buildings are first world war nissen huts.

The new hospital would cost around £15-20 million after land sales (£70 million gross). Since most of the land cannot be sold until completion of the new hospital, a £40-50 million 2 year loan would be required during the interim. Once the new hospital is built, annual costs would fall by at least £3 million due to lower maintenance costs and substantial savings on the cutting back of the duplicated support services required for the three sites.

One major attraction of the project is the role of the private sector. Several firms have offered fixed price contracts for a three year construction period. This compares to an NHS managed construction period of 8-12 years The costs of long-term contracts can escalate substantially.

The main problem is the £40-50 million 2 year loan. If the loan is included in the annual capital expenditure allocation, it would wipe out completely the whole of South East Thames' allocation for 2 years.

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It is essential that we do not lose the momentum on this project.

During the PES discussions, Kenneth Clarke applied for a working capital fund to act as a catalyst for the Bromley project (and others). The Fund would be increased to £400 million over three years. The Treasury agreed to the request, but only if the fund was subtracted from annual capital expenditure limits (currently set at £800-900 million). Naturally, Kenneth Clarke declined.

This issue may need to be addressed in the meeting. Otherwise, the Treasury will continue to prevaricate on this important issue.

Question: How will the Bromley proposal be resolved?

Ian Whitehead

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