

A scandal of secrecy and profligacy

The Skye bridge contract allowed private firms to fleece the taxpayer

One of the ways in which the government can avoid the freedom of information laws, which come into force at the end of this week, is to classify public business as private business. Under the act, information can be withheld from the public if its disclosure would “prejudice the commercial interests of any person”. Wherever the government has entered into partnership with a private company, it can argue that it would damage the company’s interests if it told us what it was doing. So unless there is a public inquiry, we might never discover why a bridge that should have cost £25m to build has now cost £93m.

Last week the people of the island of Skye won a remarkable victory. For nine years they had been fighting for the removal of the tolls on the bridge to the mainland. The bridge, built at the behest of the Conservative government, was Britain’s first privately financed public project. Under the private finance initiative (PFI), public works such as roads, bridges, schools and hospitals are built and run by private companies, then rented back to the government. Because, the government claims, private companies are more efficient than the public sector, PFI schemes cost less.

On the day the bridge was opened (October 16 1995), the government stopped the ferry service it ran between Skye and the mainland, thus granting the consortium that built the bridge a monopoly; there was no other means of getting on and off the island. The consortium was able to charge the islanders what are believed to be the highest tolls per mile of road in the world. They rose to £5.70 each way for a one-mile crossing.

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(After massive public pressure, the Labour government gave the residents a discount, but only if they bought tickets in books of 20.) After nine years of what was to have been a 27-year contract, the companies that built the bridge have reaped £33m from motorists.

This is bad enough. But before the bridge was built, the government threw in £13m of sweeteners. Desperate to make its showcase project work, it spent £6m on building the approach roads (a few hundred metres of tarmac); another £3m on hiring consultants and buying land; and a further £4m as “compensation” to the consortium for the costs of construction delays and design changes (which, if you believe the government’s claims about “risk transfer”, should have been carried by the consortium itself).

The European Investment Bank lent a further £13m to help finance the bridge. This loan breached the bank’s own investment criteria. The bank’s purpose is to fund projects that boost the livelihoods of people in the less developed parts of Europe. It is legally bound to lend money only when “funds are not available from other sources on reasonable terms” and to support only those schemes that do not “distort competition”. The tolls have damaged people’s livelihoods by discouraging tourists. Private investors, who know a good thing when they see it, were falling over themselves to buy a stake in the project. The closure of the ferry service on the day the bridge opened did not distort competition: it eliminated it.

The discount for books of 20 tickets was financed by the government, not the consortium. So to help reduce the cost of the tolls (which would not have been levied at all had the bridge been built at public expense), the government has paid a further £7.6m. Now the tolls are being removed and the contract is being bought back from the companies by the Scottish executive at a cost of £27m.

The bridge, in other words, appears to have cost the public £93.6m. If we accept the consortium’s account of how much it cost to build – £25m – we have paid for it 3.7 times. Even this could be an underestimate: independent engineers suggest that it shouldn’t have cost more than £15m.

So what was in the contract? I have no idea, and nor does anyone who was not involved in negotiating it. Though it was giving away our money, though there was no possible security argument for keeping it secret, both the Tory and Labour governments have hidden the contract behind the excuse of “commercial confidentiality”. Unless an inventive challenge can be launched, governments will continue to do so, using the loophole in the act. The lesson of the Skye bridge fiasco is obvious. If we are not allowed to see what’s being done in our name, there’s a pretty good chance we are being ripped off.