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ACE calls for five replacements for PFI model

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The under-fire PFI model should be scrapped and replaced with five alternatives, the Association for Consultancy and Engineering
has said.

An ACE report titled Public Private Finance Models, published yesterday, said one model would combine Tax Increment Financing - which uses anticipated tax rises to fund investment projects - with parts of the PFI model.

ACE chairman and chief executive of WYG consultancy Paul Hamer (pictured) said financing the National Infrastructure Plan had to avoid exposing taxpayers to undue risk.

"It is sensible to develop a range of [models] so that any given project can adopt the most suitable model for its needs," he said.

The document considers the potential for using government equity within PFI projects.

ACE said the structural and cultural change needed to raise pension fund investment in infrastructure made this a longer-term solution.

But by raising its equity stakes, the government could provide "confidence and trustworthiness" in projects, while improving their credit rating and financing options.

Risk would be pooled by grouping projects and sectors or pooling finance so that smaller investors could invest in the work.

Another model would involve staggering finance, granting investors access based on the stage of project development and risk.

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