

Carillion

The parent company of Carillion, is one of the major PFI and general construction companies in the U.K. It has annual revenue of some \$4.5 billion, 2002 profits of \$95 million, and some 20,000 employees.

The group chair of Carillion Plc is Sir Neville Sims. His total compensation in 2002 was about \$1.02 million plus a complex set of stock options. Sir Neville holds 427,041 shares in the company. The group chief executive officer is John McDonough. His total compensation in 2002 was about \$1.4 million, plus a deferred stock bonus. He owns 374,976 shares.

Carillion is involved in a number of controversial P3 hospital projects in the U.K. For example, the company is behind the consortium that built the new Great Western PFI Hospital in Swindon, which opened in late 2002. Swindon's main newspaper, *The Wiltshire Evening Advertiser* has provided in-depth coverage of the problems with this project.

In 2001, the newspaper revealed that the project's real costs far exceeded initial estimates. Construction came in at \$720 million, more than original estimates of \$330 million before the project began. And when annual payments are factored in along with construction costs, the bill for the facility would be \$1.05 billion over the duration of the 30-year concession. See:

http://www.thisiswiltshire.co.uk/wiltshire/archive/2001/06/27/swindon_news1ZM.html,
and

http://uk.geocities.com/swindon_libdems/sbc/29062001/local.html

The new hospital has 80 fewer beds than the hospital it replaced. In January 2003, the newspaper reported that barely a month after Carillion's new hospital opened, senior administrators were warning doctors against referring patients because all the beds were full. By April, government recognized the facility was too small and allocated \$27 million more for a new 27-bed ward.

The added cash for new beds coincided with a series of critical articles and controversies about patients left on trolleys for inordinate periods of time. One patient, Mr. Tony Collins, was contacted by the Guinness Book of World Records after he was left waiting on a trolley for 60 hours! Another patient was left on a trolley for 144 hours in April.

As recently as June 28, 2003, the controversies about long waits on trolleys continue. See:

http://www.thisiswiltshire.co.uk/wiltshire/archive/2003/04/03/swindon_news2ZM.html

http://www.thisiswiltshire.co.uk/wiltshire/archive/2003/01/30/swindon_news7ZM.html,
http://www.thisiswiltshire.co.uk/wiltshire/archive/2003/04/01/swindon_news12ZM.html,
http://www.thisiswiltshire.co.uk/wiltshire/archive/2003/05/14/swindon_news19ZM.html.

Carillion is also part of another controversial PFI hospital in Dartford, just outside of London, which was completed in 2000. As with the Swindon hospital, the new Dartford PFI hospital has 50 fewer beds than the hospitals it replaced. When it opened, there were complaints about no water in the theatre scrub rooms, making sterilization impossible and causing the suspension of operations. See:

<http://www.redpepper.org.uk/natarch/solomon.html>,
<http://society.guardian.co.uk/ppp/comment/0,10537,524149,00.html>.

But the most controversial aspects of the Dartford hospital concern financing. When the decision was made to go the PFI route, proponents claimed it would save almost \$40 million in construction costs. But at the end of the day, savings were only \$11 million. Britain's equivalent of our Auditor General conducted a critical review of the fictitious savings claims. See: <http://www.hsj.co.uk/collections/be2.htm>,
<http://news.bbc.co.uk/2/hi/health/347649.stm>.

However, this uproar was surpassed by news that Carillion and its consortium partners reaped a windfall profit of \$45 million in a complex debt refinancing scheme crafted by the international consulting firm PricewaterhouseCoopers. Many questions have been raised about Carillion benefiting from this refinancing, rather than the government and taxpayer. See the *Observer* newspaper
<http://observer.guardian.co.uk/Print/0,3858,4217902,00.html>.

The company's share price took a beating in July 2003, falling more than 15 per cent as a result of revelations of cost overruns and construction delays in a U.K. P3 transportation project Carillion is involved in.

Carillion faces labour strife in the U.K. as British unions fight more aggressively against poor pay—about \$9.60 an hour—and working conditions that are the hallmark of support services in P3 hospitals.

http://www.unison.org.uk/news/news_view.asp?did=726,
http://www.unison.org.uk/news/news_view.asp?did=829

The company is involved in a diverse range of PFIs, including privatized jails, which have proven highly profitable. See:

<http://society.guardian.co.uk/privatefinance/story/0,8150,516624,00.html>

Carillion was recently fined more than \$160,000 by the British government for health and safety violations that resulted in two serious workplace accidents at its privatized rail unit. See: http://www.ananova.com/business/story/sm_692865.html,
http://www.ananova.com/business/story/sm_696161.html,
http://www.ananova.com/business/story/sm_700108.html.