

Funding the Future

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As the [Guardian reported](#) yesterday:

A property company linked to Guy Hands has agreed to sell 36,000 military homes to the UK's Ministry of Defence for almost £6bn, signalling an end to a long-running battle between the billionaire and the government.

Annington will hand over its 999-year lease on the 36,347 homes, known as the Married Quarters Estate, to the MoD and receive £5.99bn in return – almost twice as much as Hands' private equity company Terra Firma paid for Annington more than a decade ago, but less than the £8bn the homes were valued at last year.

John Healey, the Defence Minister, [had this to say about this deal in the Commons](#):

I am pleased to confirm that today, the Ministry of Defence (MOD) and Annington Property Ltd have formally agreed that the MOD will reacquire the 36,000 service family estate homes sold to Annington in 1996.

This agreement reverses one of the most notorious privatisations of the 1990s, with the balance of risk and reward skewed heavily against the public sector. The billions of pounds spent by the MOD on renting back these properties since 1996 could have been better spent on maintaining, improving or rebuilding service family homes.

Estimates suggest the 1996 deal has left the British taxpayer nearly £8 billion worse off - money that could have been used to deliver homes fit for our heroes. In addition to the billions of pounds paid in rent, billions of pounds worth of empty properties have also been handed over to Annington Ltd.

The new deal is a decisive break with the failed approach of the past, which will save the public purse £230 million a year in rental costs: more than £600,000 a day.

The repurchase is obvious and logical and should have happened years ago. So, why mention it? There are four good reasons.

First, this was far from the worst of the 1990s privatisations.

Second, the whole of the PFI (private finance initiative) scheme was worse than this.

Third, everything John Healey is saying could apply equally to a vast array of such schemes, all of which should be bought back by the state.

Fourth, why is Labour now promoting the use of private money for public funding in that case, when it is bound to end up like this deal, as a vast waste of public funds?

So, the question is, why not do that repurchase? It can be done by simply issuing some government debt - at a very low cost, with savings accruing as a result. What is it that makes this government, like others, is so reluctant to deliver in this way?

And why is Labour now so wedded to creating news schemes of this sort? Where is the sense in that?