

HOW THE PFI DEAL WAS STRUCK

THE MUSEUM IS THE FIRST ARTS project to be built under the private finance initiative. Public sector money for the £42.5m scheme comprises £20m from the Department of National Heritage, £5m from Leeds Development Corporation, and £3.5m from Leeds City Council.

The remaining £14m was provided by a private sector consortium led by 3i with the major investors being Yorkshire Electricity, Bank of Scotland, Electra Investment Trust and catering group Gardner Merchant. A private company Royal Armouries (International) was set up to operate and develop the museum with Gardner Merchant as the commercial operator.

When private sector involvement in the scheme was first mooted, RAI chief executive Chris O'Boyle recalls: "Many people said it couldn't be done. In simplistic terms there were two key

risks. One was managing the development so that it finished on time and on budget. The other was how many visitors we would get."

Heery was appointed to control the former and a study was conducted to quantify the second. This study estimated the number of visitors could eventually hit the 1 million a year mark.

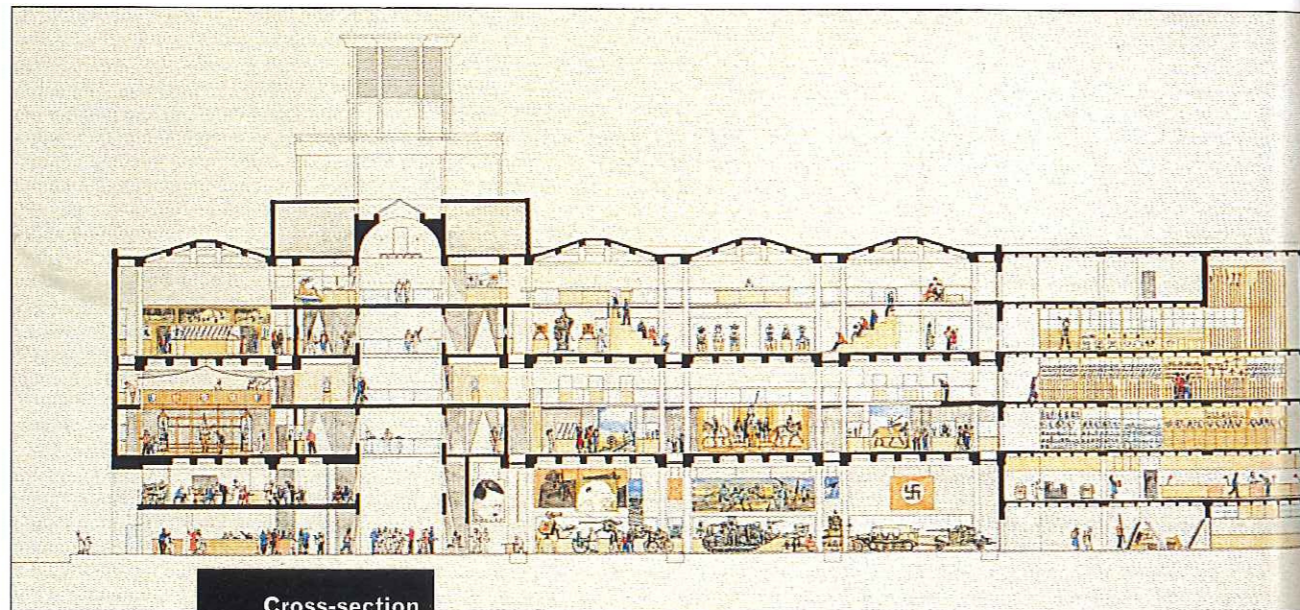
Under the deal, RAI will provide the home for the collection for 60 years and the company will pocket all the revenue from entrance fees - an adult ticket will cost £6.95. For its part, the Royal Armouries will still be eligible for government assistance to continue its work conserving arms and armour and making them available for inspection and research.

O'Boyle, one of the driving forces behind getting the deal through, says: "For the PFI to work, the public sector has got to let go of control and let it pass

to the private sector. The reason why so many PFI schemes fail before they start is because the public sector organisation will just not let go."

Another major consideration is the amount of legal paperwork generated by PFI deals. O'Boyle explains: "I was virtually camped out for six weeks in our lawyer's office. The lawyers equated the amount of paperwork as similar to that generated during the settlement of the recent GATT talks. For example, a normal venture capital buyout only requires about six documents. For the Armouries, we had 26 parties and 110 legal documents."

Final agreement between the parties was reached in mid-December 1993 and O'Boyle and Heery's project director Mike Clayton admit to going out and celebrating in style. Clayton jokes: "It was a nice little earner for every lawyer in Leeds."



Cross-section through the museum showing the main exhibition areas on the upper floors. The ground floor is given over to catering, retail and administration.

ROYAL ARMOURIES MUSEUM, LEEDS

client
Royal Armouries (International)
project manager
Heery International
client's architect
Derek Walker Associates
client's structural and services engineer
Buro Happold
client's quantity surveyor
Rex Procter
develop and construct contractor
Alfred McAlpine Building - North
contractor's architect
Leach Rhodes Walker
contractor's structural engineer
Deakin Callard
management contractor for fit-out
Heery International

forms of contract
JCT 81 design and build (construction)
management contracting (fit-out)
contract periods
January 94-April 96 (construction);
September 95-April 96 (fit-out)
contract costs
£22m (construction); **£7m** (fit-out)
principal trade contractors
Haden Young (design and install - mechanical and electrical); **Expanded Piling** (piling); **Westbury Tubular Structure/Pilkington Glass** (Hall of Steel); **G Sanders** (brickwork); **Tarmac Masonry Products** (reconstituted stone); **Andrews of Leeds** (granite); **SCC** (concrete frame and precast); **Schindler** (lifts)

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