1. Introduction

If the saying ‘there’s life in the old dog yet’ is true, then the Public–Private Partnership (PPP) approach to public procurement and service delivery still has its time. PPPs have received much scholarly attention from a broad spectrum of disciplines; and they have faced considerable scepticism in a lot of countries. In others, under certain governments, they have been pushed forwards and even sometimes regarded as ‘the only game in town’. In terms of party politics, it is difficult to characterize them as more favoured by centre-right or centre-left governments. In the United Kingdom (UK), they were championed by the incoming New Labour government, commencing in 1997; Germany under the ‘red–green’ coalitions joined them soon thereafter. However, Italy under Berlusconi, France under Sarkozy, Spain under Aznar, Greece under Karamanlis and Austria under Schüssel are examples of centre-right governments strongly committed to the PPP approach, too. Even the UK under the conservative Major administration and later under the Cameron–Clegg coalition was supportive of PPP, or the Private Finance Initiative (PFI) as it was labelled in the early 1990s by the British government. Thus, one of the aims of this book is to analyse the partisan dimensions of support or obstruction of PPP across a sample of 14 states over the period 1990 to 2009. However, political parties are not the only actors who ‘make politics’. As an economic policy tool favouring the involvement of private, commercially operating corporations instead of pure fulfilment by public administration, private sector corporations and lobbying groups can be expected to have an interest in supporting the PPP approach.

However, it would be too simple to focus only on their motivation of expanding their markets and accordingly raising their profits. Such motivations can be assumed to exist more or less in each market economy. But with regard to PPP, only in some countries during certain periods of time they appear to have been successful. This raises the question of further conditions that must be met in order to achieve a change of government policy. The early UK experiences under the Major government (abolishment of the Ryrie rules, see section 5.1.2) might be instructive for such a process. Other politico-economic factors are the
level of public debt as well as deficit and the privatization activity exercised in a country (see section 3.5). More generally speaking, ‘The Politics of PPP’ aims to more deeply explore some of the factors that are supportive of a policy change in favour of PPP. Written by a political scientist, this book does not try to evaluate technical, financial or managerial aspects of single projects or even ask if they are really ‘value for money’ (VfM). Instead, it simply asks why did some countries’ governments participate in this policy change (some sooner, some later), and others not? Therefore, it quantitatively and qualitatively tests a set of variables which in the literature are regarded to be responsible for such policy changes.

Initially, we have to introduce the basics of the PPP approach. In a general sense, PPPs can be described as ‘forms of cooperation between public authorities and the world of business which aim to ensure the funding, construction, renovation, management or maintenance of an infrastructure or the provision of a service’ (European Commission 2004: 3). The term PPP is also applied to forms of cooperation between public and private non-profit, civil society actors. However, in these cases the logic of action as well as organization deviates heavily from that of for-profit PPPs. This book is primarily focused on contract-based PPPs between public and commercial private actors.

PPP arrangements are characterized by a relatively long, fixed duration of contract time or permanent (organizational) models of the relationship between the public and the private partner (life-cycle approach), often complex funding arrangements with the private sector bearing the initial costs and long-time responsibility for operation and maintenance, whereas the public sector is in charge of the long-time refinancing of the private partner either by (regularly) fixed direct transfers or by (shadow) tolls or user fees. Most importantly, the public partner is in charge of selecting and determining objectives to be regarded as in the public interest, the quality of the respective services to be provided by private partners, and the pricing policy; and finally, the public partner takes responsibility for monitoring compliance with the objectives previously set (ibid.).

Furthermore, the distribution of risks between the partners has to be addressed sufficiently. This means, for instance, that for each phase of a PPP the kind of risk transferred (or shared) between the public and private partners has to be addressed during the negotiations and in the contract (Grimsey/Lewis 2005c). Regarding the operational phase, for instance, southern European concession models often preferred to transfer the demand risk to the private sector, while British PFI contracts
tended to transfer the availability risk. Thus, besides the financial aspects, risk transfer is often a crucial point during contract negotiation.

Given the complex structures of PPP policies and projects, it cannot be the aim of this book to evaluate possible merits or shortcomings of the PPP approach in general or of individual projects (such as, for instance, the Transport for London contracts in the early 2000s). Rather, the book aims to comparatively analyse what governments do (in the field of PPP), why they do it and what differences it makes, in a similar way to how Thomas R. Dye (1976) concisely described the purpose of policy analysis. However, this perspective of policy analysis has to be complemented by elements of an institutional analysis. Both institutional and policy aspects can best be integrated into a comparative approach. The comparative perspective should help to broaden the still predominant focus of (idiosyncratic) within-country analysis to a between-country comparison. To avoid the shortcomings of classical methods of policy analysis, which were often designed for within-case analysis, wherever possible we try to introduce a comparative perspective.

Policy analysis often focuses on types of policies in terms of their (re)distributive effects, as addressed by Theodore Lowi (1964, 1972) in his classical contribution. Whereas distributive policies are not a zero-sum game, redistributive policies are. Clearly, redistributive policies raise more concerns and obstruction among the addressees of such policies. However, it has to be discussed in more detail whether PPP covers more aspects of a distributive or a redistributive policy. Shifting tasks and services partly from the public to the private sector suggests a redistributive aspect. From the perspective of its critics, the redistributive dimension is stressed (such as the transfer of jobs from the public to the private sector), whereas its supporters primarily point at the distributive aspects of, for instance, added value, efficiency gains and (at least in short term) positive effects on the public budget.

From a comparative perspective, such questions appear less relevant. Comparative politics has its own set of quantitative and qualitative instruments, often combined in a mixed methods approach. As the units of (comparative) analysis are countries, or states, the focus of interest shifts from individual projects to the overall politics and policies of PPP within a state in order to find out patterns and correlations between states in the use of such policies. If a government initiates PPP projects or laws, sets up PPP units or task forces, or outlines respective policy programmes, this indicates the commitment of the cabinet to PPP. Thus, in this book it can often only be reported what kind of project, at what time and with what volume a certain government has commissioned PPP. For a single country study this would be insufficient; for a macro-comparative approach this
appears to be appropriate as this book is not the place to deliberate on all the internal complexity of the 14 countries and their projects.

In this context, tools of policy analysis will have their place alongside comparative instruments such as pairwise case comparison, veto player (or institutional) analysis and applying basic assumptions of the governance approach. Chapter 2 will help to set the research focus on the politics of PPP in Western Europe while Chapter 3 addresses methodological issues and conducts a quantitative comparison based on country data published by a European Investment Bank (EIB) report. The global financial crisis, commencing with the collapse of Lehman Brothers in September 2008, and its impact on the real economy also heavily affected the use of PPP across European public authorities. The European PPP Expertise Centre (EPEC) (2011b) estimates an average annual decline of 30 per cent in the immediate aftermath of the crisis. While the impact of the global financial crisis on PPP will also be discussed in the case studies, a special section in Chapter 2 provides a general introduction to the issue.

In the following chapters, the focus is on Western Europe’s central and regional governments’ PPP policies (chapters 4–9). In these chapters some general characteristics of the political system which influence policy making will initially be introduced – in some cases along with facts relating to the socioeconomic background. Then, patterns of adopting the PPP approach are reconstructed, before these patterns are compared between two (or three) countries with regional or institutional proximity. The aim is to identify patterns of adoption, first at the national level and then in pairwise case comparisons. Observing patterns of policy making has to take into consideration the political aspects of decision making. Comparing policies raises the question of political determinants of observed differences. Whereas PPP itself can be regarded as a policy tool, its different forms and extents of use are also a question of politics. Furthermore, relatively invariant aspects of polity such as legal traditions and frameworks also play a role in utilizing PPPs (see section 3.3).

Each of the chapters 4 to 9 include at least two countries as cases; two chapters include three cases for comparison. For the Nordic countries the comparison of Denmark, Finland and Sweden is very obvious. For the cases of the southern periphery, Greece appeared to be more adequately compared with the Iberian countries than with Italy, which, despite some economic troubles, exhibits more characteristics of the large central European countries than those of the southern periphery. Consequently, Italy is compared with France. Furthermore, comparing Ireland with the UK, Belgium with the Netherlands and Germany with Austria is again rather obvious. The grouping is done on a qualitative decision based on
similarities between the selected cases. Thus, the logic of comparison equals the ‘most similar case design’ (see e.g. Berg-Schlosser/Cronqvist 2012). Selecting cases with similar characteristics in a group opens up the opportunity to look for the non-similar characteristics that help explain different outcomes in these cases.

Methodologically, the chapters combine a within- and a between-case analysis. For the within-case analysis, the following questions will be addressed:

- Institutional factors: what roles do federal or unitary structures, second chambers and veto players have? While most institutional factors are invariant, some can be changed by politics. This process is also known as institutionalization. The institutionalization of PPP results from politics and is a precondition for (further) PPP activities. Among institutional factors, the different legal traditions across Europe seem to play an important role. More flexible legal cultures such as the Anglo-Saxon common law seem to provide supportive conditions for PPP.

- Socioeconomic context: what roles do pluralism and corporatism, or more broadly the structure of organized interests, and lobbying have? Does the level of the gross domestic product (GDP) as an indicator of relative wealth has any influence on the level of PPP activity in a country?

- Political factors: what roles do parties, governments and bureaucracy have in the development and implementation of PPP? As the UK example illustrates, the emergence of a significant volume of PPP/PFI contracting is not a coincidence but the result of political decisions and massive support.

- Policy diffusion and path dependency: what role does the PPP policy in neighbouring or role model countries have for the (non-)adoption of PPP in a state and what role does previous experience with privatization, public–private collaboration and public sector reform have?

The final section of each chapter compares the two (or three) cases introduced before. In this section we focus on similarities and dissimilarities with regard to the outcome (level of PPP commitment and activity by public authorities), and to political structures and influential actors. The final chapter draws conclusions in terms of policy diffusion and comparative policy analysis and additionally addresses the idea of ‘privatized Keynesianism’ (Crouch 2011) as a more theoretically focused explanation for the success of PPP in at least the Anglo-Saxon countries.