1. Introduction

Carsten Greve and Graeme Hodge

Public infrastructure and services both play a huge part in any modern society. We use the roads each day, our children attend schools or universities, and we rely on hospitals and medical developments funded from the public purse. We even depend on communications through the world wide web, the result of publicly funded research. But public infrastructure and services are a paradox, too. On the one hand they are both necessary for day to day living and fundamental to the longer term development of our communities. But on the other, issues concerning funding and daily operation do not excite the public and it is rare to see any real interest in such matters. That is, until it is suggested that private funds be used for future public infrastructure, education and hospital care as part of the growing world wide political support for privatization of government services and the subsequent movement towards ‘public–private partnerships’ (PPPs).

Public–private partnerships (PPPs) – loosely defined as cooperative institutional arrangements between public and private sector actors – have now gained wide interest around the world. But few people agree on what a PPP actually is. Some see it as a new governance tool that will replace the traditional method of contracting out for public services through competitive tendering. Others see PPPs as a new language in public management, designed to cover older established procedures involving private organizations in the delivery of public services (Linder, 1999). Yet others view PPPs as a new way to handle infrastructure projects such as building tunnels and renewing harbours (Savas, 2000). Then there are also a number of people who seem to use ‘contracting’ and ‘PPPs’ almost interchangeably.¹

Governments have certainly contracted with the private sector for centuries. Since the beginnings of civilization there has been a distinction between what is public and what is private,² and there has often been tension between the two. As the state gradually increased its role in underpinning citizen welfare, higher living standards were accompanied by the growth of major public enterprises, often in place of failed embryonic private markets.

Even up until the mid 1970s, nationalizations were still being witnessed in the United Kingdom in order for the government to take the 'commanding heights' of the economy. The mixed economy was deemed to be necessary to ensure that the public good was not left to the vagaries of the market, which experience through periods of depression had shown was a rather unstable and flawed system. Increasing financing pressures and a reducing political support base saw the more recent period of economic rationalism evolve. These notions, along with policies tied to individual rationality and a maximum role for market mechanisms, also implied a minimum role for government. The slogan 'steering not rowing' was even taken by some as the recipe for a new ideology to shape government.

The benefits or otherwise of private service provision versus government service provision and intervention in the economy has driven an important continuing debate. There is a certain amount of 'neologism' attached to the use and discussion of PPPs, though. PPPs are hailed as the main alternative to contracting-out and privatization and thereby seen as a qualitative jump ahead in the effort to combine the strong sides of both the public sector and the private sector. Many articles and books (including this one) are devoted to the study of PPPs because the concept promises a new way of managing and governing organizations that delivers service to citizens. Yet the history of private provision in the public sphere indicates that in many aspects, there has always been some degree of public sector and private sector cooperation. The stories of private contracting in the public sphere are numerous; Mathew the private tax collector from the Bible, the private cleaning of public street lamps in 18th century England, private railways of the 19th century or the fact that 82 per cent of the 197 vessels in Drake's fleet that successfully conquered the Spanish Armada in 1588 were private contractors to the Admiralty.³ And the first ship that sailed to America was a joint effort between public and private actors. Moreover, we might also view many of these contracting arrangements as early forms of cooperative partnerships. Arguments over efficiency, service quality and accountability in the two sectors have been well rehearsed over the centuries.⁴ Today, the desire to adopt private capacities for government purposes continues, with public-private partnerships (PPPs) having now become a central tenet of 'third way' governments.

There is some merit in not only looking at today's PPP organizational arrangements, but starting to examine yesterday's organizational arrangements from a PPP perspective. Looking at partnerships from an historical perspective allows us examine how PPPs have developed, how different challenges have been faced, and how solutions to problems have been constructed. In Denmark, for instance, the commercial company, Falck

(now part of the global company Group 4 Falck) has had a partnership with the Danish public sector for nearly a hundred years. Falck started its business by providing an ambulance service in the capital city Copenhagen, and has since expanded its services to include fire fighting and other rescue operations. Falck is now the preferred partner for most of Denmark's local governments in providing ambulance services and fire fighting. Although the contract is awarded through a 'contracting-out' procedure, the fact that Falck has been a market player for so many decades makes it more a partner than just 'another business firm'. The classic work of Selznick (1957; 1984) who describes the way an organization transforms into an institution through 'infusion with value' might be one place to begin the analytical inquiry into the development of PPPs from basic contracting-out arrangements.

So, why a book on PPPs if nobody seems to know what they are, yet everyone is talking about them? The reasons are threefold. First, there is a need to re-examine the different meanings and definitions given to PPPs in order to find out if the concept is worth keeping and using for empirical studies. How do PPPs challenge the public sector, and the policymakers, public managers and citizens who participate in the debates? Second, there is now a critical need to review the experience with PPPs as they have evolved throughout the world. Even though the precise boundary surrounding PPPs is still evolving, there are now sufficient experiments and developments taking place around the world in the name of PPPs to bring these to account and learn lessons from experience. By gathering such evidence from different countries, we might be better able to grasp what PPPs are, and how they should be understood. Third, governments nowadays are beginning to enter into long term business relationships with private partners under more sophisticated and far-reaching contracts than ever before. The huge financial commitments being made by governments in the names of citizens now make such inquiries even more important. In the case of the Blair government, the NAO (2001) reports that some £100 billion has been committed by the UK government for 400 PFI contracts currently in force. In Australia, over AUD\$20 billion of private finance may be channelled into public assets over the coming five years according to Gray (2002).

If privatization is a story about private organizations delivering government services over the past few centuries, PPPs appear to be the latest chapter in the book. Given that the public versus private debate has always attracted its share of policy spin and advertizing from both sides, a book devoting careful attention to the advantages and disadvantages of PPPs and learning from empirical experience to date seems to meet a critical need.

DEFINING THE PUBLIC-PRIVATE PARTNERSHIP (PPP) CONCEPT

Scholars have been divided so far in determining how we might think about PPPs. The greatest divide seems to be between those researchers who think of PPP as a tool of governance and those who think it is a 'language game' (Teisman and Klijn, 2002). For many people, PPPs are connected with infrastructure projects and PPPs are institutional arrangements for cooperation expressed through the establishment of new organizational units. Also in the world of infrastructure projects, PPPs are seen as financial models that enable the public sector to make use of private finance capital in a way that enhances the possibilities of both the regional government and the private company involved. Let us examine the theme of the institutional arrangement or governance tool first, and then return to the discussion of PPPs as a discursive term.

PPPs as Organizational and Financial Arrangements

Most definitions of PPPs emphasise that PPPs are established because they can benefit both the public sector and the private sector. The line of reasoning seems to be that both the public sector and the private sector have specific qualities, and if those qualities are combined, then the end result will be better for all (Vaillancourt Rosenau, 1999:1). There is an agreement in the literature that risk sharing is one of the big incentives for both the public sector and the private sector. Furthermore, there is the aspect of uncertainty of the future to take into account, and the knowledge that not everything can be written into a detailed contract (Williamson, 1985). There is also the prospect that the cooperation can result in some new product or service that no one would have thought of if the public organizations and private organizations had kept to themselves. Finally, it has been noted that a partnership involves a longer term commitment which means that contracts will be written that can continue for a number of years.

One definition to start off comes from the Dutch public management scholars van Ham and Koppenjan (2001:598) who define a PPP as 'co-operation of some sort of durability between public and private actors in which they jointly develop products and services and share risks, costs and resources which are connected with these products'. This definition has several advantages: first, it underlines cooperation of some durability. The collaboration cannot only take place in short-term contracts. Second, it emphasizes risk sharing as a vital component and other factors to be shared as well. Both parties in a partnership come together on equal terms in the sense that both have to bear parts of the risks involved. There can indeed

be many types of such risks. One immediately thinks of financial risks, but van Ham and Koppenjan add democratic risks and political risks as well as substantive risks connected to the subject matter at hand. Third, they jointly produce something (a product or a service), and, perhaps implicitly, both stand to gain from mutual effort. Similar definitions can be found in other texts. Collin and Hansson (2000:x), for instance, define PPPs, perhaps more narrowly, as ‘an arrangement between a municipality and one or more private firms, where all parties share risks, profit, utilities and investments through a joint ownership of an organization’.

Other writers have underlined how cooperation can take place in mutually built organizations like a joint venture company or a purpose built organization. But public organizations and private organizations may not need go so far as establishing a mutual organization. In the infrastructure literature on public–private cooperation, a number of mutual financial arrangements are mentioned (see Savas, 2000, for an overview). These financial arrangements include BOT (build–own–transfer), BOOT (build–own–operate–transfer), as well as so-called ‘sale-and-lease-back’ arrangements where local governments sell their buildings and then rent them back on a 20- or 30-year contract from a financial organization. It is no surprise that under such infrastructure arrangements, a narrower definition of PPPs exists. For instance, Campbell (2001) suggested simply that ‘a PPP project generally involves the design, construction, financing and maintenance (and in some cases operation) of public infrastructure or a public facility by the private sector under a long term contract’.

A wider interpretation, and one that keeps the organizational aspect but sees it in inter-organizational terms, is to conceive policy networks as special arrangements for public–private cooperation. The literature of policy networks and governance is huge (see Börzel, 1998; Klijn and Koppenjan, 2000; Kickert et al., 1997; and Milward and Provan, 2000). In this literature the intermingling and cooperation of public and private actors in inter-organizational settings is emphasised. A policy network in agriculture involving government departments, farmers, farmers’ organizations and other interest groups could in some senses be viewed as a PPP because it entails cooperation of some durability between public and private actors.

Overall then, the organizational aspect of PPPs seems to have at least two dimensions. The first dimension is finance: How are public and private actors engaged financially in PPPs? The other dimension is organizational. How tightly organized is the relationship between public and private actors? Do inter-organizational policy networks exist or have joint venture companies or other types of organizational units been established where both contribute to the governance and management of the organization?

A typology of PPPs based on the nature of financial and organizational relationships is shown in Table 1.1.

Table 1.1 A PPP typology based on financial and organizational relationships

Finance/Organization	Tight organizational relationship	Loose organizational relationship
Tight financial relationship	Joint venture companies	BOOT, BOT,
	Joint stock companies	Sale-and-lease-back
	Joint development projects	
Loose financial relationship	Policy communities	Issue networks

The notion of viewing PPPs in terms of organizational and financial arrangements also covers many other uses of the PPP concept. A few years ago, Osborne (2000a) noted that as well as being a cornerstone of ‘New Labour’s’ stakeholder society in the UK, they have also become a tool for providing public services and developing a civil society in post-communist regimes such as Hungary, and a mechanism for combating social exclusion and enhancing community development under European Union policy. In the USA, PPPs have traditionally been associated with urban renewal and downtown economic development. As Osborne (2000a) put it, PPPs have ‘been central to national and state-government initiatives to regenerate local urban communities, as well as often arising out of community-led attempts to deal with the crisis of government in American communities’. Evidently, a huge range of definitions for PPPs exists, with each having different organizational and financial characteristics.

Such partnership arrangements can cover quite different territory to the traditional contracting-out of services, however, with longer term implications, a larger potential role in infrastructure decision making possible, bigger financial flows and greater capacity for risks to be shifted to either side of the partnership.⁵ Teisman and Klijn (2002) go further, seeing PPPs as involving joint decision making rather than having a principal–agent relationship, with both parties being involved early on in developing effective joint outputs and arrangements rather than government alone defining both the problem and the solution, and then choosing the most cost-efficient private company for production. Each of these differences with traditional

contract arrangements will no doubt require an appropriate mechanism to ensure the protection of the public interest for the long term and ensure that accountability to citizens is maintained at the highest level.⁶

PPPs as a Language Game

There are indeed, as Linder puts it, ‘multiple grammars’ to the meaning of the PPP. The language of PPPs, in this view, is a game designed to ‘cloud’ other strategies and purposes. One such purpose is privatization, and encouraging private providers to supply public services at the expense of public organizations themselves. The privatization proponent, Savas (2000), openly admits in his book that ‘contracting out’ and ‘privatization’ are expressions that generate opposition quickly, and that expressions such as ‘alternative delivery systems’, and now ‘public–private partnerships’ invite more people and organizations to join the debate and the cause of letting private organizations get a market share of public service provision. Thus, Teisman and Klijn (2002), Linder (1999) and Savas (2000), writing from different perspectives, all agree that the use of the term PPP must be seen in relation to previous more pejorative terms such as contracting-out and privatization.

It seems fair to say that a number of governments have tried to avoid using the term ‘privatization’ or ‘contracting-out’ in favour of speaking of ‘PPPs’.⁷ This may stem from a government’s desire for a genuinely new and different policy direction not to be judged harshly and inappropriately on the basis of policy failures from the past. But it is just as likely that the avoidance of these terms is part of a general trend within public management of having to renew the buzz words from time to time, or the trend towards advancing a consistent private market-based policy thrust under a different and more catchy title.

Viewed from this perspective, researchers should be careful how they approach empirical analysis of PPPs. Should researchers look for similarity between policies conducted in the name of PPPs and contracting-out in order to reveal the continuation of policy instead of a break with policy? Or should researchers concentrate on analysing the ‘language game’ itself and the way governments deliberately change discourse in the pursuit of getting policy votes from citizens? A number of researchers have dealt with the ‘language’ of public management reform, and ways in which new practices are introduced through the construction of meaning (Stewart and Newman, 1997; Miller and Simmons, 1998).⁸ There is no doubt that PPPs have become a favourite expression when describing new institutional arrangements for governments. The Blair government in Britain has earned global fame for putting political emphasis on public–private cooperation

and on PPPs especially. Interestingly, the UK Treasury has, below the political radar, explicitly acknowledged the sale of state-owned enterprises as one type of public-private partnership, rather than anything separate (HM Treasury, 2003). In Britain, the centre-left think tank, The Institute for Public Policy Research (2000, 2001), published influential reports recommending a continuing use of PPPs, but also encouraging the use of PPPs in a balanced way. Trade unions in Britain, on the other hand, have been sceptical about the Blair government's real intentions in stressing the advantages of PPPs.

So, are PPPs the next chapter in the privatization story, another promise in our attempts to better define and measure public sector service performance,⁹ a renewed support scheme for boosting business in difficult times, a language game camouflaging the next frontier from the conquering transaction merchants, legal advisors and merchant bankers seeking fat commissions? Or through the PPP quest, are we simply seeking more refined processes for providing infrastructure and services, and giving communities better value for money? Perhaps the PPP phenomenon is all of these, and we simply need a more detailed understanding of it.

PPP PROMISES AND PERFORMANCE

Like the broader privatization reform family, the PPP concept has been the subject of much policy rhetoric. At this level, the extremes see a remarkably similar colourful salesmanship and praise on the one hand, and stinging criticism on the other. Bowman (2001), for instance, reports PPPs being seen by some in the UK as 'yet again screwing the taxpayer' with private project sponsors being caricatured as 'evil bandits running away with all the loot', and with London Underground issues being labelled as 'son of fat cat'. Similar attitudes in Canada have seen PPPs there being coined in terms of the memorable phrase 'Problem, Problem, Problem'.¹⁰ On the other side of the rhetoric, PPPs have been dubbed as a 'marriage made in heaven' by other commentators and the notion of better defined and controlled services through tight contracts seems alluring. We are certainly now drowning in promises by governments around the world that PPPs will provide public sector services more cheaply and quickly with reduced pressure on government budgets. Additionally, strengthened monitoring and accountability are also claimed, with stronger business and investor confidence implicit in this reform.

Serious evidence on the veracity of these claims and counter claims is less voluminous – indeed it is one of the surprises of the existing PPP literature to find that for the size of the financial commitments to PPPs being entered

by governments around the globe, the evidence on cost and quality gains for techniques such as the PFI seems to be limited.¹¹ Given that PPPs are an inherent part of the ongoing privatization debate, this may not be so surprising. But stewardship in the public interest demands that this deficit be addressed.

What is important to recognize here is that there is a portfolio of international empirical evidence on PPPs and that its findings are mixed.¹² Existing international evidence varies along a continuum between two extremes. At the positive end are the findings of UK commentators such as Pollitt (2002) who reviewed a sample of ten major PFI case evaluations undertaken by the National Audit Office and concluded that the best deal was probably obtained in every case, and that good value for money was probably achieved in eight of the ten cases. At the other end are the stinging attacks of several commentators. These include for instance, Monbiot (2000) who accuses the UK Treasury of failing to represent the public interest in its haste to sign up to these deals, and Australian analysts such as Walker and Walker (2000) who see PPPs as 'misleading accounting trickery of the worst entrepreneurial kind', along with Davidson (2004:15) who argues that PPP policies have 'nothing to do with economics and everything to do with powerful vested interests that are happy to hide behind the complexity of this issue to enrich themselves'.

It seems overall that the economic and financial benefits of PPPs are still subject to debate, and hence, considerable uncertainty. One of the aims of this book is to add to the level of reliable empirical information available to assess PPPs.

Other dimensions of the PPP phenomenon also deserve careful deliberation. In particular, there is always potential for enthusiastic governments to make trade-offs implicitly in the midst of fervent reforms. For instance, with contracts of up to several decades, to what extent are governments now entering these arrangements reducing the capacity and flexibility of the Crown to make future decisions in the public interest? There appears to have been little discussion of this at political and administrative levels throughout the PPP era, though independent analysis of such issues exists in the research literature.¹³ PPPs also seem to have provided only limited opportunity for meaningful levels of transparency or public participation. With limited transparency and complex adjustment formulae in PPPs, the clarity of partnership financial arrangements can be difficult to fathom. This does not give citizens confidence in the arrangements when, despite the rhetoric of risk sharing with private financing, a significant financial role for government often nevertheless seems to be the reality.

These issues could broadly be interpreted as concerns over fundamental accountability at the levels of policy, project governance and financial

transparency. As has occurred in other areas of the privatization arena, negative judgements can be formed by community leaders about the efficacy of partnering and private financing, and these policy doubts grow if reformist governments create an atmosphere of secrecy. Less information, in this instance, can amount to guilt in citizens' eyes, whether the case is proven or not. When such doubts are married together with the observation that PPPs can offer short term political attractions to governments by providing early project infrastructure and moving capital expenditures off-budget, the implication is that far greater attention to accountability mechanisms is warranted.

CONCEPTUAL FRAMEWORKS FOR PPPS

What conceptual frameworks are available to assist us in better understanding and managing PPPs? There are many.

There seem to be few restrictions on the types of policy arena for which PPPs may be applied, judging from the literature. Infrastructure projects include the construction of buildings, tunnels (Hodge, 2002), port development (Klijn and Teisman, 2002) and sports stadiums (Greve, 2003) as well as wastewater management schemes (Johnson and Walzer, 2000). PPPs seem to be one of the preferred policy models for delivery nowadays, with public sector organizations getting access to private capital and construction expertise and private sector organizations getting new orders and securing new customers.

PPPs have also been used in social policy areas including human services and welfare service provision in the USA especially (Rom, 1999; Romzek and Johnston, 2002). Also, PPPs exist within the governance structures of several other areas of the public sector including the construction and operation of prisons (Schneider, 1999; and Sands, 2004), education (Levin, 1999), in the transport sector (Teisman and Klijn, 2002) and administrative and managerial services.

Adopting the primary variables earlier discussed of organizational and financial relationships, one first possible way to conduct research on PPPs would be to explore the relationship between the types of organization and the policy areas. In certain areas, construction of buildings and tunnels, for example, the most common organizational form could be the financial partnership through 'BOT' or 'BOOT' models, where governments get projects financed.

This framework might assist researchers in studying the possible organizational and financial factors influencing different types of services. Table 1.2 shows these ideas.

Table 1.2 A PPP typology based on service types and partnership dimensions

Type of services/dimensions in PPPs	Financial dimension	Organizational dimension
Social and welfare policy		
Buildings and tunnels (infrastructure)		
Prisons		
Transport		
Other services		

A second useful framework could be based on the early account and organizational description of a PPP sketched by the American scholar Ruth DeHoog (DeHoog, 1990), as a result of her work with contractual governance. After presenting an empirical study of contracting out of human service production in the USA, DeHoog outlined three different models for service contracting: the competitive model, the negotiation model, and the cooperation model. While the first two models are fairly well-known in the literature on contracting, and correspond with Williamson's split between (neo-) classical and relational contracting, the third 'cooperation model' appears to have many of the features connected with PPPs in today's literature. Table 1. 3 shows this taxonomy.

Table 1.3 A PPP typology based on service types and contractual dimensions

Type of services/contract dimensions in PPPs	Competition	Cooperation	Negotiation
Social and welfare policy			
Buildings and tunnels (infra-structure)			
Prisons			
Transport			
Other services			

The use of this taxonomy, which potentially articulates both the benefits and drawbacks of each of these contracting models, may assist researchers in framing the analysis of different partnership cases.

A third way of conceptualizing PPP evaluation is in terms of the type of empirical evidence used in an assessment of performance. This has not been a major concern of the literature thus far, but is of importance to the editors of this book. In evaluating PPPs, evaluation discourse may be based primarily on policy rhetoric, the legal contract, or on the historical outcomes of experience. These three sources of evidence form a continuum varying from weakest proof of success at the policy rhetoric end, to the strongest proof of success at the historical outcomes end. Thus, for the narrower view of PPPs as PFI, we might recall that PPPs, for say infrastructure, now typically cover a continuum of operations that can include the financing, design and development, operation and ownership for a long period of time as well as the traditional concern for simply the provision of a constructed facility: European Commission (2003), Asian Development Bank (2000) and AusCID (2003).¹⁴ Some remind us that PPPs may be based on either public financing or private financing (Jones, 2002), whilst others assume that private finance is an integral part to the partnership arrangement. Yet others such as the Department of Treasury and Finance (2001a, 2001b) in Victoria, Australia, focus more on the risks involved in contractual relationships, and on which sector ought bear these risks in the contract.

Putting these three conceptual dimensions of risk type, the primary sector bearing risk and evaluation evidence together, the PPP ‘evaluation cube’ would be formed as indicated in Figure 1.1, below.¹⁵

Figure 1.1 Evaluation cube for public–private partnerships

Investigating any public and private advantages of PPPs through this framework ought to assist in our search for patterns in terms of both the

types of risk under discussion and review, and the strength of the evidence being used as the basis for any judgements made for success or failure. Of course assessments may also compare actual PPP performance against either perfection, which is unobtainable in the real world, or against the next best 'counter-factual' real world alternative. Both have their uses, but the latter is probably more realistic.

THE RESEARCH AGENDA

A number of theoretical and empirical works have already been published, and our aim is to build on those insights in our search for the meaning and impact of PPPs. Early studies included Stephen Osborne's edited book in 2000 dealing with both theoretical insights and empirical evidence from around the globe and Pauline Vallaincourt-Rosenau's special issue of *The American Behavioral Scientist* in 1999, which provided another contribution looking into a variety of policy areas.¹⁶ Two further edited editions also became available through Perrot and Chatelus (2000) and Berg et al. (2002), both of which looked at the use of PPPs as the mechanism to provide public sector infrastructure. As well, PPPs have been the subject of special editions of academic journals such as *Accountability Quarterly* (May 2002) and *Accounting, Auditing and Accountability Journal* (vol. 16, no. 3) in 2003 and *Australian Accounting Review* (vol. 14, no. 2) in 2004. The number of studies on PPPs has been growing fast, and understanding PPPs has become an essential matter central to the challenges now facing public policymaking, management and governance.

An early formal agenda was originally published by Broadbent and Laughlin (1999) and re-stated in their more recent work (Broadbent and Laughlin, 2003) for the case of PFIs as partnerships. They defined three central research questions: 'what is the nature of PFI (PPP) and who is regulating its application?', 'how are definitions of PFI (PPP) in terms of value for money and risk transfer derived and operationalised?', and 'what is the merit and worth of PFI (PPP)?' Moreover, we might wish to consider other concerns including those from Berg et al. (2002), who question both performance shortcomings or successes and what lessons we have learned from the PPP experience thus far, along with several more technical accounting questions concerning difficulties in evaluating PPPs (PFIs), estimating the 'public sector comparator', articulating the sector on whose balance sheet any assets should be shown and describing how risks are treated in such decisions (Broadbent and Laughlin, 2003).

The questions that this current book raise revolve around historical perspectives on PPPs, financial issues and risk transfer, the legal aspects of getting

the partnership contract right, political issues that frame the appearance of PPPs on policy agendas around the world, managerial and governance issues of how to run PPPs and accountability issues. These perspectives will be applied across a range of different partnership definitions.

The specific questions to be explored are many. For example, from an historical perspective, which aspects of PPPs are new today; how have PPPs ‘evolved’ over time; and how should a better understanding of PPP history inform our actions now? From the perspective of finance and risk transfer, how are PPP financial deals constructed; to what degree are modern PPPs a ‘financial deal’ driven exercise, and what are the financial ‘drivers’; how ‘successful’ (in financial terms) have PPPs been for citizens and other parties; on what criteria ought PPP success be evaluated, and which criteria are currently adopted; to what degree do PPPs adhere to ‘traditional’ stewardship requirements in accounting; and to what degree do risk transfer promises match risk transfer experience? In terms of legal issues and getting the contract right, do different ‘models’ of PPPs exist; to what degree are PPPs really ‘legal partnerships’; and what have we learned to date, from a legal perspective, about PPP contracts?

In the field of politics, what are the important political interests at stake in typical PPPs; and what are the implications for making future governance decisions in the public interest? When managing and governing PPPs, how is management and governance practised when decision-making is shared between public actors and private actors in PPPs; and what are the resulting management and governance challenges that arise? Lastly, in terms of accountability issues, how is accountability practised in PPPs; are there typical models applied to PPPs; what are the most useful models and constructs that might help us better understand PPP accountability; and what are the resulting accountability challenges for future PPPs?

This book sets out to extend these agenda items further, and puts a particular emphasis on learning from the empirical evidence of international experience in order to better meet tomorrow’s PPP challenges. One of the key aims of the book is to inform readers interested in public policy matters such as PPPs in an accessible manner. A primary concern of this book is therefore to outline some of the more important aspects in what is fast becoming, despite its central place in today’s public policy debates, yet another policy sector dominated by technical terminology and jargon.

BOOK STRUCTURE

This book on public–private partnerships addresses these agenda items in three parts. First, a range of frameworks and theoretical constructs is

presented to improve our understanding of PPP events and outcomes. We take a thoughtful perspective and look carefully at conceptual issues through the lenses of history, finance and risk, legal aspects, political issues, management and accountability. In each of these areas the aim will be to present useful new theoretical or conceptual insights and ideas. Chapters 2 to 7 will thus form the initial ‘theory’ section of the book.

The second section of the book, comprising Chapters 8 to 16, will look more at empirical experience internationally and cover the United States, the United Kingdom, Scandinavia, Germany, and Australasia. The aim here will be to provide new information on international case study experiences and enhance our appreciation of PPPs through independent evaluation.

Last, we seek to probe recent public policy learnings on PPPs based on shared international understandings of this phenomenon and contribute, through comparative analyses, suggestions and strategies to improve our ability to meet the challenges of PPPs in the future. Chapter 17 thus synthesizes common issues, and sorts the rhetoric from the reality with the aim of providing strategies for better meeting the various common international challenges.

This book therefore aims to build on previous contributions in several ways. We certainly wish to take the next step forwards in our thinking on PPPs and build on current understandings, particularly in the areas of risk transfer, financial implications, contractual matters and accountability. We also aim to take the next step forward in terms of better documenting and understanding international empirical evidence from case study experience. In particular, the aim will be to separate out learnings in areas where human services are provided, from those more traditional areas of providing physical infrastructure. But as well, this book aims to have a strong thread of ‘accountability’ through all chapters, and thereby attempt to redress one of the most persistent concerns of citizens in governing PPPs.

CONCLUSIONS

PPPs present governance and public management scholars with several challenges. First, there is the challenge of finding an adequate definition of what constitutes a PPP. Is the conception of PPP as an institutional arrangement one that is best subject to an empirical examination, and superior to viewing PPPs as simply a language game that reconstructs the way public service production and delivery is presented to the public? Second, is the challenge of finding out which, if any, are the policy areas best suited to PPPs. Some preliminary evidence seems to suggest that PPPs have gained a stronghold in big infrastructure construction projects like

tunnels and bridge building. Other types of evidence suggest that PPPs can be applied successfully to education policy and prison management. Again, we do not know how different types of PPPs (different institutional arrangements) 'fit' to which policy areas (that is, if they are meant to 'fit' at all). Third, there is the challenge of seeing PPPs in an historical perspective. PPPs may not be all that new, and the way that PPPs have developed (and matured?) in earlier times, could inform the way they are managed and governed now and in the future.

PPPs are therefore now an increasingly relevant and popular public policy option throughout the world. They may even symbolize the new relationship between the citizen and the state. This book aims to investigate both how PPP reforms are working compared with the more traditional methods of providing public sector service and infrastructure, and identify the biggest winners and losers in these reforms. The essays in this book reflect on our experience, and evaluate our international learnings to date within the context of the concerns and demands relevant to the 21st century. As such they present an exciting series of perspectives.

NOTES

1. In his well-known book on contracting in the public sector, Donald F. Kettl (1993) sometimes describes contracting as 'public-private partnerships' and points out how the United States has had a long tradition of using PPPs.
2. See Parsons (1995:3).
3. See Wettenhall (2003).
4. See McIntosh et al. (1997).
5. It is perhaps also not surprising that the public does not care for the fine distinctions made by some professional groups of what is and what is not a PPP or whether one type of relationship is the same as another. As a consequence, the demise of the British Railtrack, although itself not strictly a PFI/PPP, carries with it judgements of all PPPs and takes the sheen off of a wide range of partnership possibilities with different characteristics: Hodge (2002).
6. We ought remind ourselves that traditional methods of infrastructure and service delivery do not necessarily have any high moral ground here. In the past, governments would quite happily fund, through public debt, a 100-year water storage dam project, or construct a public highway, which would be expected to last many decades. Such decisions, however, would usually be accompanied by careful scrutiny through parliamentary debate and policy transparency.
7. The PPP policies of the Western Australian and Northern Territory governments in Australia, for instance, are explicit at the political level that their partnerships policy is not privatization (Government of WA, 2002; Government of NT, 2004). They also attempt to carve out their own unique linguistic niche in saying that this local policy is not 'public-private partnerships broadly understood', like the Private Finance Initiative of the UK, and whilst 'it is [about] private sector investment' there is 'no ideological preference for private provision' Maguire (2002). The attempt here at a local language monopoly for political gain is a creative example of PPP as rhetorical spin.
8. Stewart and Newman (1997) see 'managerialism' and the focus on 'customer orientation' as a way to shift minds in the public sector.

9. The recent history of the public sector internationally has been replete with schemes that have promised a nirvana in our desire to better define public sector services and measure performance. Examples of such schemes have included but are not limited to: performance indicators and targets, management by objectives, total quality management, benchmarking, contracting and outsourcing, systems analysis, zero based budgeting, performance budgeting, output-based budgeting, results budgeting, programme budgeting, programme planning and budgeting systems, competitive tendering and best value in local government. Many of these have been sold with enthusiasm and the allure has attracted huge investments by governments. Whilst there have undoubtedly been significant benefits delivered through many of these initiatives, most have also fallen well short of fully meeting the initial glowing promises made.
10. See Bowman (2000).
11. Interestingly, the evidence on the effectiveness of PPPs appears to come from two distinct research domains; public policy and public finance on one hand, and construction engineering and economics on the other. There appears to have been little cross-fertilization occurring between these two areas. This book draws mainly from the public policy and public finance domain while others, such as Grimsey and Lewis (2004), appear to draw more from the engineering and economics domain.
12. Shepherd (2000) for instance suggests cost savings of between 10 per cent and 30 per cent, whilst earlier estimates include 17 per cent cost savings from Arthur Andersen and LSE Enterprise in their analysis of 29 business cases, and 10–20 per cent based on seven empirical cases from the National Audit Office (2000). Historical empirical experience also reminds us that the London Underground (under public ownership) 'has had a history of completing investment projects over budget and late', with, for instance, line upgrades for the Jubilee Line being six years late and 30 per cent over budget, and an analysis of some 250 projects by LU between 1997 to 2000 revealing cost over-runs averaging 20 per cent. Department of Transport (2002) US commentators such as Bloomfield et al. (1998) were less buoyant, with Massachusetts correctional facility experience suggesting lease purchase financing arrangements were 7.4 per cent more expensive than conventional financing and that 'inflated sales pitches' camouflaged the real costs and risks to the public. Likewise, Monbiot (2000) has mounted a stinging attack on PPPs accusing the UK Treasury of failing to represent the public interest in the midst of a corporate takeover of Britain's public governance. Australian analyses of PPPs such as Walker and Walker (2000) were also not complimentary either, likening off-balance sheet PPP infrastructure financing deals to the misleading accounting trickery of the worst entrepreneurial kind, and judging that PPPs eroded accountability to Parliament and to the public. In support, they cite Australian projects providing real rates of return of up to 21–25 per cent compared to the return to the public via government of 2 per cent. They nevertheless concede that 'there can be situations where BOOT schemes are good deals for both government and private sector'. Likewise, Davidson (2004:15) sees PPPs as a policy that 'has nothing to do with economics and everything to do with powerful vested interests that are happy to hide behind the complexity of this issue to enrich themselves'.

What might we make of all this? Hall (1998), in his early careful analysis of UK experience, noted that value for money in PFI schemes depends on any gains in efficiency through private sector involvement more than compensating for higher finance costs and that it is difficult to obtain clear evidence on this in the absence of an accurate and uncontroversial public sector comparator. He presented initial evidence on PFI deals in the UK as achieving significant savings overall for roads projects, two prison contracts (generating around 10 per cent savings compared with publicly financed prisons), and the National Insurance Recording System (NIRS2) contract (claiming a 60 per cent cost saving). These estimates however, were provided within the general context of the initial UK contracts being subject to considerable uncertainty, and being qualified to the extent that managers may have aimed to deliver cost-saving successes for political reasons and knowing that outcomes for long term contracts are always uncertain. Overall, Hall saw the evidence on performance as nevertheless providing 'some grounds for optimism'. The later analysis of Pollitt (2002) also resulted in a careful pass mark being given

again to PPPs. He observed that in the late 1990s even the UK Treasury did not appear to know what its PFI commitments were, that unions were critical of the PFI initiative and cited IPPR (2001) which judged PFIs as being ‘successful for prisons and roads but of limited value to date in hospitals and school projects’. Importantly, he summarized the findings of NAO (1999) showing that in a sample of ten major PFI case evaluations undertaken by the National Audit Office, the best deal was probably obtained in every case, and good value for money was probably achieved in eight of the ten cases. More recently independent support has come from Mott-Macdonald (2002) and National Audit Office (2003) with both reporting PPPs as being delivered on time far more often than traditional infrastructure provision arrangements. They note that whereas traditional ‘public’ infrastructure provision arrangements are on time and on budget 30 per cent and 27 per cent of the time, PFI-type partnerships are on time and on budget 76 per cent and 78 per cent of the time respectively. Assessments of the empirical effectiveness of PPPs, therefore, remain mixed and controversial.

13. For instance, Daniels and Trebilcock (1996) observe that public policy decision making cannot be avoided through the PPP mechanism, despite instances of problems occurring and these being passed off as simply contractual concerns between the two parties rather than being public policy concerns. Likewise, Hodge (2002) outlines some of the governance issues present when delivering privately funded public infrastructure.
14. AusCID (2003) for instance lists the most common PPPs as Design and Construct (D&C), Operate and Maintain (O&M), Design–Build–Operate (DBO), Build–Own–Operate–Transfer (BOOT), Build–Own–Operate (BOO), Lease–Own–Operate (LOO) and Alliance.
15. Of course many dimensions are possible in constructing such an evaluation cube, and these three represent only one of many possibilities for a conceptual framework to assist readers.
16. These essays were later published as a book in 2000; see Vallaincourt-Rosenau (2000).

REFERENCES

- Arthur Andersen and LSE Enterprise (2000), *Value for Money Drivers in the Private Finance Initiative*, report commissioned by the UK Treasury Task Force on Public–Private Partnerships.
- Asian Development Bank (2000), *Developing Best Practices for Promoting Private Sector Investment in Infrastructure*, Expressways, Tasman Asia Pacific.
- AusCID (2003), ‘Public Private Partnerships – A Brief Summary’, www.auscid.org.au, July.
- Berg, S., M. Pollitt and M. Tsuji (2002), ‘Introduction’, in Sanford V. Berg, Michael G. Pollitt and Masatsugu Tsuji (eds), *Private Initiatives in Infrastructure: Priorities, Incentives and Performance*, Cheltenham, UK and Northampton, MA, USA: Edward Elgar, pp. 1–9.
- Börzel, T.A. (1998), ‘Organising Babylon – on the different conceptions of policy networks’, *Public Administration*, **76**, 253–73.
- Bowman, L. (2000), ‘P3–Problem, Problem, Problem’, *Project Finance*, 206, 25.
- Bowman, L. (2001), ‘Pfiest Fight’, *Project Finance*, **221**, 26–28.
- Broadbent, J. and R. Laughlin (1999), ‘The Private Finance Initiative: clarification of a future research agenda’, *Financial Accountability and Management*, **15** (2), 95–114.
- Broadbent, J. and R. Laughlin (2003), ‘Public Private Partnerships: an introduction’, *Accounting, Auditing and Accountability Journal*, **16** (3), 332–41.

- Campbell, G. (2001), *Public Private Partnerships – A Developing Market?*, Melbourne, unpublished.
- Collin, S. and L. Hansson (2000), 'The propensity, persistence and performance of public–private partnerships in Sweden', in Stephen P. Osborne (ed.), *Public–Private Partnerships: Theory and Practice in International Perspective*, London: Routledge, pp. 201–18.
- Daniels, R.J. and M.J. Trebilcock (1996), 'Private provision of public infrastructure: an organisational analysis of the next privatization frontier', *University of Toronto Law Journal*, **46**, 375–426.
- Davidson, K. (2004), 'How union leaders are selling out the workers', *The Age*, **11** (June), 15.
- DeHoog, R.H. (1990), 'Competition, negotiation, or cooperation. three models for service contracting', *Administration and Society*, **22** (3), 317–40.
- Department of Transport (2002), *London Underground PPPs: Value for Money Review*, London: Department of Transport.
- Department of Treasury and Finance (2001a), *Partnerships Victoria: Practitioners' Guide*, March, Melbourne.
- Department of Treasury and Finance (2001b), *Partnerships Victoria: Risk Allocation and Contractual Issues*, June, Melbourne.
- European Commission (2003), *Guidelines for Successful Public–Private Partnerships*, Directorate General – Regional Policy, March, Paris.
- Ghere, R.K. (2001), 'Probing the strategic intricacies of public–private partnerships: the patent as a comparative reference', *Public Administration Review*, **61** (4), 441–51.
- Government of Western Australia (2002), *Partnerships for Growth: Policies and Guidelines for Public–Private Partnerships in Western Australia*, Department of Treasury and Finance, December, Perth.
- Government of Northern Territory (2004), *Territory Partnerships: Policy Framework*, Department of Treasury and Finance, April, Darwin.
- Gray, J. (2002), 'Going private: a twenty bn shake up', *Australian Financial Review*, 1 and 52–3.
- Greve, C. (2003), 'When public–private partnerships fail. The extreme case of the NPM-inspired local government of Farum in Denmark', paper for the EGPA Conference, 3–6 September, Oerias, Portugal.
- Hall, J. (1998), 'Private opportunity, public benefit?', *Fiscal Studies*, **19** (2), 121–40.
- HM Treasury (2003), *PFI: Meeting the Investment Challenge*, London: Stationery Office.
- Hodge, G. (2002), 'Who steers when the government signs public–private partnerships?', paper for the ASPA Conference, March, Phoenix, AZ.
- Institute for Public Policy Research (2000), *Building Better Partnerships: The Final Report from the Commission on Public Private Partnerships*, London: IPPR.
- Institute for Public Policy Research (2001), *Significant Reforms of PPPs Necessary for Labour to Deliver on Public Services*, *Current Topics*, www.ippr.org.uk, 25 June.
- Johnson, R.A. and N. Waltzer (eds) (2000), *Local Government Innovation. Issues and Trends in Privatization and Managed Competition*, Westport, CT: Quorum Books.
- Jones, D. (2002), 'Policy development in Australia for public–private partnerships – what more is there to do?', presentation to the seminar, 'Providing value for money

- through public-private partnerships: the lessons learnt so far from economic and social infrastructure projects', 2 June, The Avillon Hotel, Sydney.
- Kettl, D. F. (1993), *Sharing Power. Public Governance and Private Markets*, Washington, DC: The Brookings Institute.
- Kickert, W., E.-H. Klijn and J. Koppenjan (eds) (1997), *Managing Complex Networks*, London: Sage.
- Klijn, E.H. and J. Koppenjan (2000), 'Public management and policy networks. Foundations of a network approach to governance', *Public Management Review*, **2** (1), 35–58.
- Klijn, E.H. and G.R. Teisman (2000), 'Governing public-private partnerships: analyzing and managing the process and institutional characteristics of public-private partnerships', in Stephen P. Osborne (ed.), *Public-Private Partnerships: Theory and Practice in International Perspective*, London: Routledge, pp. 84–102.
- Levin, H. (1999), 'The public-private nexus in education', *American Behavioral Scientist*, **43** (1), 124–37.
- Linder, S.H. (1999), 'Coming to terms with the public-private partnership: a grammar of multiple meanings', *The American Behavioral Scientist*, **43** (1), 35–51.
- Maguire, G. (2002), *Partnerships Victoria*, Presentation to University of Melbourne law students, 10 October.
- McIntosh, K., J. Shauness and R. Wettenhall (1997), *Contracting Out in Australia: An Indicative History*, University of Canberra: Centre for Research in Public Sector Management.
- Miller, H. and J. Simmons (1998), 'The Irony of Privatization', *Administration and Society*, **35** (5), 513–35.
- Milward, H.B. and K.G. Provan (2000), 'Governing the hollow state', *Journal of Public Administration Research and Theory*, **10** (2), 359–79.
- Monbiot, G. (2000), *Captive State: The Corporate Takeover of Britain*, London: Pan Books.
- National Audit Office (1999), *Examining Value for Money of Deals Under the Private Finance Initiative*, London: Stationery Office.
- National Audit Office (2000), *Examining the Value for Money of Deals under the Private Finance Initiative*, London: Stationery Office.
- National Audit Office (2001), *Managing the Relations to Secure a Successful Partnership in PFI Projects*, a report by the Comptroller and Auditor General, HC 375, London: Stationery Office.
- Osborne, S.P. (2000a), 'Introduction: understanding public-private partnerships in international perspective: globally convergent or nationally divergent phenomena?', in Stephen P. Osborne (ed.), *Public-Private Partnerships: Theory and Practice in International Perspective*, London: Routledge, pp. 1–5.
- Osborne, S.P. (ed.) (2000b), *Public-Private Partnerships: Theory and Practice in International Perspective*, London: Routledge.
- Parsons, W. (1995), *Public Policy: An Introduction to the Theory and Practice of Policy Analysis*, Aldershot, UK and Brookfield, USA: Edward Elgar.
- Perrot, J.Y. and G. Chatelus, (eds) (2000), *Financing of major infrastructure and public service projects: public-private partnerships*, Paris: French Ministry for Public Works, Transport and Housing.
- Pollitt, M.G. (2002), 'The declining role of the state in infrastructure investment in the UK', in Sanford V. Berg, Michael G. Pollitt and Masatsuga Tsuji (eds), *Private Initiatives in Infrastructure: Priorities, Incentives and Performance*, Cheltenham, UK and Northampton, MA, USA: Edward Elgar.

- Rom, M.C. (1999), 'From welfare state to opportunity inc.: public-private partnerships in welfare reform', *The American Behavioral Scientist*, **43** (1), 155–76.
- Romzek, B. and J. Johnston (2002), 'Effective contract implementation and management. A preliminary model', *Journal of Public Administration Research and Theory*, **12** (3), 423–53.
- Sands, V.J. (2004), 'Victoria's partly-privatised prison system', *The Asia Pacific Journal of Public Administration*, **26** (2), 137–56.
- Savas, E.S. (2000), *Privatisation and Public-Private Partnerships*, New York: Chatham House Publishers, Seven Bridges Press.
- Savas, E.S. (2002), 'Competition and choice in New York City social services', *Public Administration Review*, **61** (1), 82–91.
- Schneider, A.L. (1999), 'Public-Private Policy Partnerships in the U.S. Prison System', *The American Behavioral Scientist*, **43** (1), 192–208.
- Selznick, P. (1984) [1957], *Leadership in Administration*, California: University of California Press.
- Shepherd, T. (2000), 'A Practitioner's Perspective', presentation to the Productivity Commission Workshop on Private Sector Involvement in Provision of Public Infrastructure, 12–13 October, Melbourne.
- Stewart, J. and J. Newman (1997), *The Managerial State*, London: Sage.
- Teisman, G.R. and E.H. Klijn (2002), 'Partnership Arrangements. Governmental Rhetoric or Governance Scheme?', *Public Administration Review*, **62** (2), 197–205.
- Vaillancourt Rosenau, P. (1999), 'Introduction: the strengths and weaknesses of public-private policy partnerships', *The American Behavioral Scientist*, **43** (1).
- Vaillancourt Rosenau, P. (ed.) (2000), *Public-Private Policy Partnerships*, Cambridge: The MIT Press.
- van Ham, H. and J. Koppenjan (2001), 'Building public-private partnerships: assessing and managing risks in port development', *Public Management Review*, **3** (4), 593–616.
- Walker, B. and B.C. Walker (2000), *Privatisation: Sell Off or Sell Out? The Australian Experience*, Sydney: ABC Books.
- Wettenhall, R.A. (2003), 'The rhetoric and reality of public-private partnerships', *Public Organisation Review: A Global Journal*, **3**, 77–107.
- Williamson, O.E. (1985), *The Economic Institutions of Capitalism*, New York: The Free Press.