

PUBLIC PRIVATE PARTNERSHIPS

THE BRITISH EXPERIENCE

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PARTENARIAT PUBLIC-PRIVÉ

Pour une meilleure performance de l'État



PUBLIC-PRIVATE PARTNERSHIP

For improved government performance

“TO ACHIEVE CUSTOMER – FOCUSED PUBLIC SERVICES, FOUR PRINCIPLES ARE PARAMOUNT:

- Standards and Accountability – for all citizens, wherever they live
- Devolution and Delegation – empower the front line
- Flexibility and Innovation – change, incentives, rewards, leadership
- Expand Choice – better information, more choice, effective redress

DELIVER THE HIGH QUALITY SERVICES THAT THE BRITISH PEOPLE RIGHTLY EXPECT. WE MUST NOT LET THEM DOWN.”

Tony Blair 2001



A FEW NUMBERS

- United Kingdom Population 60 million
- GDP £1,000 billion (\$2,150 bn)
- Total Managed Expenditure £392 bn (\$843 bn)
- Public Sector Capital Investment (gross) £24.8bn (\$53 bn)
- Public Investment Ramping Up e.g Health Spending almost doubling by 2007/08



PPP STATISTICS

SIGNED DEALS	500+
•DEALS IN PROGRESS	300+
•CAPITAL INVESTED BY PRIVATE SECTOR	£20bn+ (\$43bn)
•UNITARY PAYMENTS	£95bn (\$204 bn)
•PROJECTS OPERATIONAL	200+

•PPP used extensively for schools, hospitals, roads, prisons, courts, office services, flood defences – and defence itself

OVER NEXT FIVE YEARS - SIMILAR LEVEL OF DEAL FLOW

This is **big business** – capital investment in London Underground system could be some £15 billion – around \$30 billion Canadian dollars



NO MAGIC RECIPE

ESSENTIAL INGREDIENTS ARE:

- TOP LEVEL POLITICAL COMMITMENT
- SKILLED CENTRAL SUPPORT (Partnerships UK)
- HIGH QUALITY PRIVATE FIRMS – including financial and legal advisers
- AVAILABILITY OF PRIVATE CAPITAL



POLITICIANS

- Provide the political lead
- Promote cultural change
- Explain and defend the policy
- Broker compromises to reflect political reality



PUBLIC SERVANTS

- Ministers provide the lead – but public servants have to formulate the requirement and negotiate (and manage) the contractual relationship
- Public servants need to be led – encouraged, cajoled, challenged
- Big cultural change needed



PREPARATION VITAL

- LEGAL FRAMEWORK
- MARKET ECONOMY/FINANCIAL INFRASTRUCTURE
- GUIDANCE – PLENTY OUT THERE TO DRAW ON
- TRAINING – DEPARTMENTS NEED TO HAVE TRAINED PEOPLE AT ALL LEVELS
- CONTRACT DOCUMENTATION – STANDARDISE WHERE POSSIBLE
- PRACTICAL HELP – EXPERT SUPPORT NEEDS TO BE ON TAP



CONTINUAL PERSUASION NEEDED

PPPs INVITE:

- CRITICISM
- RESISTANCE
- SUSPICION
- HOSTILITY
- CYNICISM
- APATHY

SO NEED TO DEVELOP ARGUMENTS /EVIDENCE BASE
AND DEPLOY (AND RE-DEPLOY) AT ALL LEVELS!

NATIONAL AUDIT OFFICE ROLE VITAL



ROLE OF PRIVATE SECTOR KEY

- SO.....
- ENCOURAGE MARKETS OF ALL SORTS (FINANCIAL, CONSTRUCTION, IT, FACILITIES MANAGEMENT)
- ATTRACT FIRMS
- REASSURE FIRMS
- CONSULT REPRESENTATIVE BODIES
- UNDERSTAND AND LISTEN TO THE PRIVATE SECTOR
- WITHOUT THEM, THERE IS NO PPP!



PROFIT (AND LOSS!)

- PROFIT THE INCENTIVE
- PROFIT NOT A DIRTY WORD (EVEN FROM PUBLIC SERVICES)
- REFINANCING GAINS CAN BE HANDLED
- LOSSES HAPPEN TOO!
- (e.g. NATIONAL PHYSICAL LABORATORY: JOHN LAING SOLD
- ITS CONSTRUCTION DIVISION FOR £ 1)



ISSUE OF PEOPLE MUST BE ADDRESSED

- IN EUROPE PROTECTION OF EMPLOYEES AN IMPORTANT ISSUE
- IN UK, BRITISH GOVERNMENT REGARDS AS HIGH PRIORITY
- IMPROVEMENTS TO PPP PROCESS SINCE 1997
- EXAMPLES INCLUDE:
 - A FAIR DEAL FOR PENSIONS
 - TRIPARTITE CODE OF PRACTICE IN MINISTRY OF DEFENCE
- RETENTION OF EMPLOYMENT IN UK NATIONAL HEALTH SERVICE – ANCILLARY STAFF IN HOSPITALS SECONDED
- BEST VALUE IN UK LOCAL GOVERNMENT – NEW RECRUITS ON BROADLY COMPARABLE TERMS
- PPPs CAN EXPAND OPPORTUNITIES FOR PEOPLE!



PROMISE OF PPP

- CULTURE CHANGE
 - OUTPUTS NOT INPUTS – STAKEHOLDER BUY IN
- RISK TRANSFER
 - IDENTIFY & ALLOCATE APPROPRIATELY
- INCENTIVISATION
 - PRIVATE EQUITY/BANK LOAN AT RISK
- INNOVATION
 - COMPETITION ENCOURAGES BRIGHT IDEAS
- GOOD DESIGN
 - SHOULD BE COMPATIBLE WITH VALUE FOR MONEY
- GUARANTEED DELIVERY THROUGH LIFE



Critical Success Factors

- Politicians can point to real change and progress
- Public servants can demonstrate value for money
- Employees do not suffer
- **ABOVE ALL - Citizens get good quality, reliable services**



UK NOT ALONE

- UK built on others' experience
- Other countries now drawing on UK PPPs and applying to own circumstances
- Worldwide trend towards partnership – not only for fiscal reasons
- We all have much to learn from one another

