PUBLIC PRIVATE PARTNERSHIPS

THE BRITISH EXPERIENCE

BY PETER RYAN
Director Private Finance Unit

Office of Government Commerce
“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