PPPs – Where We Will Be By 2010?

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There is an ominous lack of debate and assessment of the longer-term consequences of the continued expansion of the Private Finance Initiative (PFI) and Public Private Partnerships (PPP).

Why is there such a reluctance to examine the future? In the age of public policy outcomes, why are PPP outcomes focused almost exclusively on individual projects? The issue is not simply about delivery nor the cost of PPPs. PPPs could mean better services, value for money, innovative design and improved management.

However, the longer-term consequences may also include the:

- erosion of democratic accountability linked to a continued lack of transparency and disclosure
- loss of flexibility as a contract culture increasingly dominates public provision
- marginalization of key issues of social justice and equality
- increased charges for users and more constraints on the community's use of facilities
- a two-tier workforce with a consequent negative effect on local and regional economies
- absence of innovation and restriction of modernization
- cost increases as the PPP market matures.

These are not marginal questions but fundamental to the future of the welfare state and public sector policy making.

Implications for public management

The continued growth of PPPs has major consequences for the capacity of the state to exercise its duties and responsibilities. Public sector functions could be reduced to taxation and funding, contract monitoring and reviewing services. This, in turn, could result in a large-scale exodus of senior management and skilled staff to the private sector. A career in private management could become the only show in town causing a spiral of decline in the reputation, ability and skill base of public management.

The longer-term corporate impact of PPPs on the organization of central and local government is another key issue. We do not need more blues skies thinking. Rather, more comprehensive and rigorous impact assessment, monitoring and evaluation of current projects and the cumulative effect of the increasing use of PPPs, is urgently required.

The way projects are assessed must be radically changed; for example, by replacing the Public Sector Comparator with a much more rigorous assessment together with in depth evaluation of completed schemes on a sector and geographic basis at city, regional and national levels.

Evaluation Needs to Take the Long-View

By early 2002 the total cost of PPP projects, either committed or in the planning and procurement stage in health, education, transport, housing, the criminal justice system and defence, is over £150 billion. In addition, there are already over £3 billion of local authority multi-service strategic provider partnerships. Outsourcing under the guise of Best Value is escalating together with Local Education Authority (LEA) support services. Presenting only the capital costs of PPPs, which on average account for less than a quarter of the total cost, conceals the true cost of PFI.

The rate of growth in PFI/PPP is likely to accelerate as it moves from individual projects to service-wide provision. By 2010 the private sector could effectively own and operate the bulk of the public sector infrastructure. This will have far reaching implications for core services, public management, users, staff and trade unions. Opportunities for social enterprise and community provision are likely to be small.

In the last few months, glowing reports from the National Audit Office and Pricewaterhouse Coopers have extolled the virtues of PPPs. Significantly, they have relied almost exclusively on the evidence of PPP project managers, consultants and private companies who have a vested interest in their continued growth.

The purpose of these reports is, in the light of increasing public hostility, to demonstrate that PPPs are working. Yet they studiously avoid the longer-term consequences. The earlier Institute for Public Policy and Research Commission on Public Private Partnerships report[1] suffered the same shortcomings.

Core Services

The justification underpinning current policies is based on claims that the government and public bodies do not need to own public buildings in order to provide services; that buildings can be better serviced by the private sector; that operational support services such as cleaning, catering and transport are more efficiently supplied by facilities management firms; and that the private sector can provide more innovative back office services such as information and communications technology, financial, human resources and property management services at lower cost. Even when these services are provided by private companies, professional staff such as teachers and doctors, except in so-called failing schools and hospitals, are still expected to be public employees. This raises some key questions:

- Can the ownership and operation of buildings be separated from the core services delivered within them?
- Is the private sector only interested in the design, building, financing and operation of public buildings, or is it inevitable that they will also want to provide the entire service?
- Is partnership merely a temporary position that will be obsolete once the private sector owns and operates the bulk of the infrastructure? Will the private sector want a partnership once they are established as the main provider?

These are only a few of the questions that should form part of impact assessment of the likely PPP scenario in 2010.

New Labour's concept of public service is that so long as the state finances services then they are public services, so why should the professional classes such as teachers and doctors be a special case? But who will be left in the public sector to defend and support this position but teachers and doctors? In turn this would provide more evidence of professional self-interest and alienate the public still further from public service providers.

The private sector will clearly benefit from the extension of PPPs to local authority-wide and (sub) regional contracts. By 2010 the PPP sector is likely to be dominated by a handful of owner-operator multi-service transnational companies. The potential global implementation of the World Trade Organization's General Agreement on Trade in Services (GATS) will initially accelerate PPPs followed by new privately financed and operated services. The PFI/PPP industry will become more powerful whilst the capacity of the state will continue to decline.

These potential developments mean that rather than, as appears to be happening, developing policy on PFI/PPPs in a piecemeal fashion it is a matter of urgent public interest that the longer-term and broader impact of PPPs is subjected to rigorous impact assessment, monitoring and evaluation. ■

References:

i The Commission on Public Private Partnerships, *Building Better Partnerships*, London: Institute for Public Policy and Research, 2001.