ACADEMY OF THE SOCIAL SCIENCES IN AUSTRALIA

CRITICAL PERSPECTIVES ON THE VALUE OF PUBLIC-PRIVATE PARTNERSHIPS IN INFRASTRUCTURE DEVELOPMENT

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Public Private Partnerships 'as alternative funding for infrastructure development have become increasingly popular across the world' (Raden & Koen 2018)

Such partnerships 'have become increasingly popular as a way of procuring and maintaining public-sector infrastructure in sectors that include transport (such as roads, bridges, tunnels, railways, ports and airports) [and] social infrastructure (such as hospitals, schools, prisons and social housing)' (Yescombe 2018: 3).

PPPs take many forms such as design, finance, construct and maintain as well as build, own, operate and transfer. The selection of organising form depends on factors such as the government's objectives, the nature of the project, the availability of finance, and the expertise that the private sector can bring (Webb & Pulle 2002). PPP's have undergone changes with experience such as the Project Finance Initiative (PFI) in the UK. However, a modified form of PFI (PF2) was abandoned in 2018 due to its inability to 'adapt to changes in requirements during the life cycle of an asset and a failure to transfer risk to the private sector' (Davies, MacAulay & Brady 2019:120).

One of the rationales for using PPP's is the expectation that they provide Value for Money (VfM). However, critics of PPP's argue that 'public sector finance is cheaper than private sector finance ' (Webb & Pule 2002: ii) as government can levy taxes.

Another reason for PPP is to transfer the risk to the private sector believing that they have the ability to bear it at lower costs. This assumption is also not confirmed in Australian projects such as the Sydney Airport Link where the private sector firm was unable to bear the risk and the State Government had to take it over. 'Assessment of whether a PPP could offer value for money is often difficult to determine. Some risks are difficult to identify let alone quantify, and it is difficult to assess to what extent the transfer of risk is deemed optimal' ' (Webb & Pulle 2002: 200).

There is also criticism of the processes used in determining VfM as it focuses mainly on financial aspects neglects an evaluation of any social benefits (Grimsey & Lewis 2005). Grimsey & Lewis (2005) also question the adequacy of using the Public Sector Comparator (PSC) method to measure value for money.

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Other scholars writing about public value argue that while research in PPP's tends to focus on material and economic value the quality of cooperation that contributes to performance and adds to material value is often ignored (Weihe 2008). Reynaers & de Graf cite Bozemann (2007:17) to define public value as 'those [values] providing normative consensus about (a) the rights benefits and prerogatives to which citizens should (and should not) be entitled; (b) the obligations of citizens to society, state and one another; and (c) the principles of which governments and policies should be based'. They suggest that 'empirical research on the PPPs – public value relationship remains surprisingly scarce' (p. 120).

Theoretically, Bovaird (2004) argues that while New Public Managements supports the use by PPP's scholars of principal-agent theory, he questions the ability of the principals (Public Sector) to persuade agents (Private Sector) to undertake the social responsibility associated with the infrastructure delivered.

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From a transaction costs perspective, the complexity and high costs of managing the transactions is evident. While relational contacts can help manage the long term partnerships they also incur transaction costs. On the other hand, strategic management scholars argue that partnerships can provide economies of scale and scope and opportunities for mutual learning (Bouvard 2004:207).

In empirical terms, despite more than 30 years' experience of PPP's the concept remains contested in concept and practice from a political and policy perspective.

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Contemporary public administration theory views them as diluting' political control over decision making' and from a New Public Management (NPM) perspective it is suggested that 'long-term partnerships may be suspected of undermining competition' (Bovaird 2004: 200).

Trade unions also view them as means to 'reduce jobs and condition of employment' (ibid) while citizens who use these services are wary of the primacy of the profit motive of service providers over the quality of service provided. Despite these reservations PPP's continue to be used in Australia (Sansom 2016), and widely elsewhere in Europe and USA, South America, Asia and Africa and their use is written into legislation or policy documents in UK, USA, France, Italy and the Netherlands. In emerging economies such as India and China and developing countries, including Bangladesh, they are increasingly being used. They are widespread in China, despite the centrality of the state-owned organizations, with local governments taking the role of the private partner to build essential infrastructure.

Broadbent & Laughlin (2005) listed the following unanswered questions in their article (p. 64-65).

1. What is the underlying nature of and rationale for deciding to pursue PPP developments in different countries?

2. What processes and procedures guide and aid the decisions to undertake PPPs in different areas of public service provision in different countries?

3. What procedures and processes are in place to provide a post project (decision) evaluation (PPE) indifferent areas and in different countries?

4. Do PPPs have real merit and worth, generally and in specific cases, nationally and internationally?

5. What can we discover through an international comparison from national PPP regulation and guidance, pre-decision processes, post-project evaluation systems and merit and worth judgments?

Recent review of the literature suggests that these questions remain unanswered satisfactorily. More recently Hodge & Geve (2010) have raised some additional concerns about PPP's viewing them in a comprehensive review of PPP's portraying them as 'language games'.

6. Does private financing deliver more infrastructure compared with traditionally funded infrastructure?

7. Do PPP's genuinely provide economic and financial benefits and beneficial risk sharing as claimed by advocates of PPP's?

These questions will be used at the start of the proposed workshop drawn from researchers, government and public administration as well as private sector infrastructure firms to encourage a critical perspective of PPP's to emerge from the conversations.