Research to date:

- Privatisation (global meta-analysis) Westview Press, 2000
- Privatisation in Australia
- PPPs - CityLink, governance, risks, evaluation)
  - Protecting the public interest, role of parliament
  - Parliamentary Inquiry (PAEC)
- Accountability: Contractual State, PPPs…
- Public Transport Franchise Review
Future Research:
- Regulation
- Evaluating Regulatory Outcomes
- Road Safety Regulation
- Consumer accountability systems & redress
- Other!
1. The Privatisation Phenomenon

- Privatisation world-wide trend
- ~ $100 billion p.a. in enterprise sales alone
- Swept along by collapse of central economies
- Privatisation has many forms

Definition: “transfer of enterprises/service functions from public to private hands”

Enterprise Sales  Contracting-Out  Public-Private Partnerships

Private Sector Development Strategy
2. PPPs: Foundations

The PPP Family

- A family of PPP techniques exists (co-operative institutional arrangements between public and private sector actors for: developing civil society in post-communist regimes (Hungary); enhancing community development (EU); downtown economic development (US), & PFI (UK).
- Lots of muscle flexing in this language game.

Australian PPP foundations:

- Privatisation: Australia’s $97b sales through 1990s, 3rd in OECD
- Competition: New competition ethos & laws (eg. NEM, CTC…)
- Outsourcing: Aggressive policies (eg. WOGITOSI, Defence CSP…)
- Service Purchasing ethos: latest in a long history …(ZBB, PB, PBC, OBC…) based on belief that better specification → better performance
### 3. PPPs: Global Experience

<table>
<thead>
<tr>
<th>Working with the private sector</th>
<th>Traditional Service Contract</th>
<th>Management Contract</th>
<th>Lease</th>
<th>BOOT</th>
<th>BOO</th>
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<td>Outsource</td>
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- **PPPs around for 40 yrs**

- **PPPs cover a broad territory**, commonly;
  - a business relationship
  - joint decision making(?)
  - capacity to share/shift risks & returns
  - underpinned by a long term contract
  - private funding for delivery, maintenance & operation of i/f + services
  - large $ flows

- **Different to traditional contracts** -

  (private finance, complexity & gov/acc’y assumptions)

- **PPP Promises?**
  - to reduce pressure on public sector budgets (✓), &
  - better value for money (✓)

- Little systematic evaluation of PPPs so far...
3. PPPs: Global Experience

- Evidence to date show a huge range, eg:

  - **UK: AA & LSE Eco’s (2000)** analysed 29 business cases → 17% lower cost est
  - **Pollitt (2003)** argues that NAO suggest… best deal in 10/10 cases, & good VfM in 8/10 cases
  - **Denmark: Greve (2003)** Farum failure as ‘the most spectacular scandal in the history of Danish Public Admin’

- Peter Fitzgerald’s analysis of 8 Victorian cases in 2004 found innovation, but at 9% savings to 6% cost increase cf PSC (for 8.6% or 5.6% disc rates)

- **Against this** - 250 LU projects in ’97-’00 were 20% over budget
  - NAO surveys say 81% of org’s saw PFI as OK; 6%/46%/29% for exc / good / OK
  - Mott Macdonald (’02) & NAO (’03) report better on-time & on-budget delivery for PPPs
4. Some PPP Conclusions

- PPPs - the latest chapter in our privatisation book - enable govt to purchase infrastructure on a mega-credit card & remain ‘good fiscal managers’ to voters
- PPP performance to date has been mixed *(jury is still out)*
- The long-term contracts now govern, not Parliament
- More systematic accountability arrangements are now needed for PPPs
- Conflicts of interest *(advocacy/evaluator, planner/promoter, regulator/manager)* need acknowledgement & solutions
Appendix: Privatisation Objectives

- **Economic** (increase efficiency)
- **Consumer** (lower prices, more choice)
- **Political** (eg reduce union power, smaller government, ‘free’ SOEs)
- **Fiscal** (reduce deficit, $ cash)
- **Social** (share owning democracy),

- Reduce Corruption
- Act on advice & increase confidence
- Placate External Bodies (- Banks)
- Ideology (... Our Belief)

- How can we evaluate privatisation reforms?

  Case Study/Anecdote or Meta-Analysis
Empirical Lessons- Privatisation

Enterprise Sales Performance Review

- **Meta-analysis** of 162 studies (n=10,468 msrts)
- Modest financial & economic improvements (if at all) … better labour productivity, but no simple link with economic growth
- **Narrative reviews** suggest consumer promises often not met, regulatory intensity & public accountability are stronger levers than changed ownership & wins/losses
Empirical Lessons- Privatisation
Contracting-Out Government Services

- Meta-analysis of 232 reports presenting empirical information (n=23,914 measurements)
- International data (local gov’t, US, Cleaning / Maint. / Refuse)
- Significant 6 (-12)% cost reduction overall
  - Largest: cleaning, maintenance, refuse (-30% to -19%)
  - No significant reductions for police, health, corporate services (-8% to +24%)
  - Services very different (heterogeneous)
- Both c/out & c/in saved costs at same quality
- But: watch out for unemployment (17%-29%), corruption, crony politics & competition
- Governance of contracts needs skilled professionalism in staff
Public-Private Partnerships Models

Working with the private sector

Traditional Service Contract  Management Contract  Lease  BOOT  BOO

Outsource  Concession

1  2  5  15  25 - 30  N yrs

Risks

Construction/Completion  Operating  Sovereign/Political

Demand/Market  Financial