

Putting “Partnership” into PPPs: An Australian Perspective

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Abstract: Mixes of public and private organizations have become major elements of contemporary public policy reform, with governments in many developed countries utilizing private sector organizations to provide funds or delivery options for public services. In particular, the private sector is increasingly being seen as a source of funding to establish new public infrastructure and/or maintain older public infrastructure. The term “public-private partnership” (PPP) has become popular to describe many of these mixes, but the paper raises concerns that the term is used with imprecision, covering many very different arrangements. The PPP umbrella includes a set of arrangements that are little different from traditional contracting or outsourcing. These arrangements involve public-private mixes, but unless they encourage collaboration, mutuality and trust between the parties involved, it is argued that they can hardly be termed “partnerships”. The paper proposes a number of criteria that should be present if the arrangements are to be considered as real partnerships, including the development of structures to give concrete expression to the collaboration. The author also observes that some genuine partnerships can be overlooked by not examining arrangements both upstream and downstream from the point of formal agreement or partnership.

Keywords: public-private mix, public-private partnerships, collaboration, symmetrical partnerships, privatization

JEL classifications: H44, H53, L38, P11

1. Introduction

Mixes of public and private sector involvement have become a major element of contemporary public policy reform, with governments in many countries using private sector organizations to provide funds or delivery options for public services. In particular, the private sector is increasingly being seen as a source of funding to establish new public infrastructure and/or maintain older public infrastructure and this mix of public and private involvement has become a major element in public policy reform. Such mixes are typically referred to as public-private partnerships or PPPs.

The basis of PPP popularity is sound, that is, we can take the best elements of both the public and the private sectors and put them together in “partnerships” that would have great value in undertaking public projects and programs. In adopting such arrangements, governments avoid full funding themselves, anticipating that the revenues received would eventually repay the private firms for their investments, with the facilities reverting to the state at a later date. The private firms would assume most of the risks because of the many advantages the scheme would bring to them. Importantly, the contracts involved would clearly define and delimit the responsibilities of the government and the associated firms.

However, there is concern that the term “PPP” is used with a high degree of imprecision, covering many very different arrangements. This has led us to include under the PPP umbrella, a set of arrangements that are little different from traditional contracting or outsourcing. While governments and the private sector do cooperate to deliver public services and provide public assets, many of these arrangements are not really “partnerships” in the sense that governments determine the specifications with little input from the selected provider beyond some contract variations during the term of the contract. In such arrangements, the relationship is hierarchical rather than collaborative, as there are limited opportunities for mutual adjustment of the specifications as the project(s) develops.

Certainly these are public-private mixes, but unless the arrangements focus on collaboration and mutuality between the parties involved they can hardly be partnerships. A number of scholars have established criteria for arrangements to be called “partnerships” including structural arrangements for ongoing joint management of projects and programs. Typically these criteria would include a collaborative interactive form of mixing, the capacity for consensual decision-making and the achievement of synergies between the parties involved to the mutual advantage of all. While there have been few evaluation studies conducted beyond snapshots at particular times, preliminary assessments of the performance of these “real” partnerships have been positive and suggest that they may be able to make a significant contribution to the stock of social capital in the communities they serve (Wettenhall, 2006, 2007).

This paper examines the literature on PPPs, particularly focusing on the question of “what constitutes a partnership?” In the paper, it is argued that, at present, only some public-private mixes can be distinguished from more traditional forms of contracting. The author notes the existence of several cases where genuine partnerships have been developed and that these appear to have a strong likelihood of success. The author recognizes that partnership may often occur during certain stages in the development of a public-private mix even if the final agreement may be little different from a

traditional hierarchical contract. The paper concludes by identifying some of the governance challenges involved in establishing PPPs that give genuine consideration to partnering between public and private sector actors.

The author draws heavily from the Australian experience of public-private mixes and notes that these arrangements are becoming more common especially at sub-national levels of government, which have a significant responsibility for the development of infrastructure.

2. Public-Private Mixes and PPPs

In the later years of the 20th century, many governments experimented with various forms of privatization. The multitude of arrangements that followed have cast doubts on the traditional uses of the term "privatization" as governments have employed a range of privatization technologies to reshape their public sectors. The concept of privatization has now been contested as it is possible to identify uses of the term in both narrow and broad senses: privatization has been viewed quite narrowly as sales of government assets (see for example, Domberger and Jensen, 1997); it has also been constructed more broadly to capture "the transfer from the public sector to the private sector ... [of] assets in terms of ownership, management, finance or control" (ILO, 2001: 5). Feigenbaum *et al.* (1998) argue that at the core, privatization is about an increased reliance on private actors and market forces to pursue social goals, a view shared by prominent privatization advocate Savas (1993: 40) who believes that privatization "means relying more on private institutions and less on government to satisfy people's needs". Such a broad conceptualization potentially captures an enormous range of privatization technologies such as asset sales, the introduction of user pay systems, contracting out, private funding of public services, internal markets, deregulation, private financing initiatives or public-private partnerships, corporatization, and franchising (Aulich and O'Flynn, 2007; Fairbrother, Paddon and Teicher, 2002; ILO, 2001; Paddon, 1997).

It is within this broader context of privatization that the author locates PPP arrangements, substituting private activity (especially finances) for public activity. This conflicts with more narrow views of privatization as asset-substitution, exemplified by Maguire and Malinovitch (2004: 27) who argue that,

PPPs are different from privatization in that PPPs involve provision of new or replacement public infrastructure and related services, whereas privatization means the selling of existing assets or businesses.

What has been clear is that privatizing activities have not always meant a complete transfer of assets, funding and/or service delivery responsibility

from the public to the private sector. Rather, there have emerged numerous hybrid arrangements or public-private mixes (Wettenhall, 2007), and it is in this particular space that PPPs are often located. As Malone observes, it is this “middle ground which holds PPP arrangements [and] is usually more complex, less tried and less understood” (Malone, 2005: 420).

3. PPPs: The Australian Experience

Australia has had a long history of public-private mixes, previously described in terms which reflected the responsibilities of the private sector partners and include: build, own, maintain (BOM), build, own, operate, transfer (BOOT), build, own, operate (BOO), design, build, operate (DBO), build, operate, transfer (BOT), lease, own, operate (LOO) and Concession (government owned but financed, operated, maintained by private sector party) (Malone, 2005). More recently, we have seen emerging design, construct, finance, manage (DCFM) typically for social infrastructure projects and design, build, finance, operate (DBFO) for infrastructural projects (Maguire and Malinovitch, 2004). The adoption of many of these approaches was motivated by state and local governments wishing to use “off balance sheet financial arrangements” to evade borrowing limits imposed by national governments through the Australian Loans Council (Wettenhall, 2007; Maguire and Malinovitch, 2004).

In earlier times, PPP schemes were preoccupied with containing high levels of state debt, but this was followed by an increasing concern for the achievement of economy, efficiency and effectiveness, repackaged as value for money in private finance initiative (PFI) type schemes (English and Skellern, 2005). As Hodge and Greve (2008: 95) note, these PPPs could be defined in terms of the PFI, that is, a business relationship, underpinned by a long term contract, often with private financing, for the delivery of maintenance and the operation of infrastructure and services, involving large cash flows, the capacity to shift risks and rewards and potential for joint decision-making.

Emerging in parallel with these infrastructure-types of PPP has been a number of community PPPs, involving coalitions of public, private and not-for-profit organizations. These partnerships aim to address issues that are complex enough in scope and scale to require a diversity of expertise and resources (Pope and Lewis, 2008). They aim to meet social goals that are likely to be beyond the capacity of individual organizations and are typically established with governance structures that formally engage the partners to establish arrangements to foster on-going decision-making, or network facilitation (Pope and Lewis, 2008).

The PPP market in Australia involves all state and territory governments, the national government and a small but increasing number of local governments representing a total market value approaching AUD\$20 billion (Malone, 2005). Despite a continuing interest in PPPs, commentators have described approaches by Australian governments as "cautious" (Malone, 2005) and the PPP market as "under-developed" (Maguire and Malinovitch, 2004). Nevertheless, there have been continuing concerns about the adequacy of public infrastructure (Ericson, 2008) that has been underlined by the reduction in government capital expenditure from around 7.2% to 3.6% of GDP in the past 30 years (CEDA, 2005). Perhaps this caution has resulted from earlier inefficient arrangements that were later unwound at a significant cost to taxpayers (Maguire and Malinovitch, 2004).

There is still some cautiousness in determining whether Australia's experience with PPPs has been successful. After extensive analysis of many PFI arrangements, Hodge and Greve (2008: 105) conclude that "evaluations of such arrangements have provided contradictory evidence of value-for-money effectiveness". Other studies such as that by the University of Melbourne and Allen Consulting report favourably on issues such as on-time completion, although this research relates more to PFI arrangements (Ernst and Young, 2008). While arrangements appear to have improved over time, some of the perennial issues of assessing governance failure, regional and social impacts, managing risk, asset valuation and private sector returns have yet to be fully resolved.

PPPs established to date have covered a spectrum of social and economic infrastructural projects. Most state governments have enacted policies steering the development of PPPs and the national government has, late in 2008, released a new framework policy to harmonize the differing approaches adopted in some states and, perhaps, to stimulate a more national PPP market.

4. Issues Relating to the PPP Concept

That governments are searching for integrating or harmonizing policy frameworks is an indication that the concept of PPP (and the respective roles of the partners) is not uniformly agreed. The term "PPP" is not without its critics for its imprecision. As Weihe (2008: 438-439) notes, "the PPP label covers both horizontal and vertical relationships, dyadic and multi-actor relationships, they can be more or less formalized ... and the extent of co-production and risk-sharing can vary greatly". Of concern is the comment by van der Wel that,

the broadness of the concept allows the side by side existence of completely different things, or using different terms when writing about exactly the same thing! (van der Wel, 2004: 2-4).

Weihe argues that there can be no authoritative definition of a PPP, one that encompasses all the qualitatively distinct variations of the concept currently in use. She suggests that by separating out the four broad uses of the term into distinct approaches, we will come to a better understanding of what is involved in a PPP. For example, the urban regeneration approach typically involves a business-community partnership, and can become institutionalized through the establishment of formal structures to give effect to longer-term collaboration. Each partner is a principal rather than a buyer or seller as is typical in the infrastructure approach (which includes all the BOOT – build-own-operate-transfer – schemes and their variants, sale-and-lease-back arrangements and the like).

The second approach, the infrastructure approach, dominates much of the contemporary literature and is often described as the private financing initiative or PFI. It is heavily affected by financial considerations, with the implication that it more easily loses sight of important organizational issues.

Weihe's third approach, the "policy approach", does not necessarily encompass specific collaborative projects; rather it deals with the "public-private constellations" within particular policy environments. Her fourth approach is the development approach which utilizes PPPs to achieve development goals, and may assume various configurations, including orchestration by third party actors. Despite this sensible attempt to unravel the variations in approaches, the question remains as to whether all approaches labelled as PPPs involve real partnerships.

Thynne (2006: np) is also concerned about the grouping of so many different types under the PPP banner. For him, conflation leads to the "fusion of state, market and/or civil society needs, goals, objectives, resources, capacity and so on". The author shares Thynne's concern that many dimensions of the relationships between actors in the PPP have been overlooked through this process of lumping all variants together.

For example, when one examines relationships in the infrastructure approach we can see that it is typically a matter of exchange more than one of collaboration. Klijn and Teisman (2005) argue that such PPP initiatives are merely new and extended ways of procuring public services, in short, little different from traditional outsourcing or contracting arrangements. Others suggest that the term is just a replacement for the old Thatcherite use of the word "privatization": "the vast majority of PPPs ... are not partnerships in any legal sense, but simply contractual relationships" (Hall *et al.*, 2003: 2).

The various roles involved in these relationships are more consistent with a principle-agent arrangement with a vertical relationship between parties. There is also limited co-production with little joint development of products. The motivations for these types of arrangements are probably little different from traditional outsourcing – governments see the possibility of using

private funding to establish new public infrastructure and/or maintain older public infrastructure. By so doing, they can avoid the funding themselves, anticipating that the revenues received would eventually repay the private firms for their investments, and with the facilities reverting to the state at a later date when returns to investors have been settled. The private firms would assume most of the risks because of the many advantages the scheme would bring to them, and the contracts involved would clearly define and delimit the responsibilities of government and the associated firms.

In most studies of PPPs, there has been little analysis of the third "P", partnership, although it is responsible for the "feel good" that is attached to the whole term. Indeed, *The Economist* describes the term "PPP" as a "friendlier-sounding" way of referring to the private funding of public infrastructure (EIU, 2002), and others have suggested that the term was a more sensitive way of describing contracts between the public and private sector given the opprobrium that accompanied terms like "contracting out" and "privatization" following the Thatcher governments' privatization policies. Laffin and Liddle (2006: 3) conclude that "'partnership' has become over-used and under specified as a word and a policy response"; Teisman and Klijn (2002: 197) view PPPs as a "language game"; and Friend (2006: 261) labelled the term as a "slogan that repeatedly leads to dashed expectations". This last comment underlines the political use of the term as "partnerships" would generally be considered a "good thing" or as van der Wel (2004) describes it, a "hurrah-word". Wettenhall (2007: 397) is similarly harsh in claiming that PPP is often "just a glossy term seeming to lend merit to arrangements that are in reality unmeritorious from the government perspective".

This leads us to consider the nature of partnership. In the cases of the infrastructure PPPs, governments and the private sector cooperate to deliver public services but these are not really "partnerships" in the sense that (a) governments largely determine the project and program specifications with limited opportunity for mutual adjustment, (b) relationships between public and private actors are hierarchical rather than horizontal, and (c) governments supply most of the funds for such project(s). However, it is recognized that in some cases the private sector provider may also be asked to contribute funds on the basis that some future revenue streams might be secured, for example in collecting road tolls. It is perhaps more appropriate that such arrangements are labelled as a private financing initiative (PFI), or a privately financed project (PFP).

These exclusions lead us to consider PPPs as providing "for a more direct control relationship between the public and private sector than would be achieved by a simple (legally-protected) market-based and arms-length purchase" (Broadbent and Laughlin, 2003: 334). This relationship

as a partnership would typically involve sharing decision-making and the fragmentation of control. Wright and Rodal (1997: 266) define partnerships as:

an arrangement in which public and private partners work cooperatively towards shared objectives in which there is shared authority and responsibility, joint investment of resources, shared risk taking and mutual benefit.

Wettenhall has made an excellent contribution to this discussion by listing the conditions necessary for establishing a partnership that brings mutual advantage to both the public and private organizations involved. His list is included as Table 1 and is accompanied by his claim that the collaborative nature of a “real” partnership needs to be given expression through creation of an organizational structure such as a partnership board or forum. He argues that this is the top requirement that, if it exists, puts the “stamp on the organizational arrangements” (Wettenhall, 2007: 408). He argues there are supplementary requirements that are also very important, but are unlikely to be achieved unless such a board or forum is in place (Wettenhall, 2006, 2007).

Table 1: What is necessary for a public-private mix to become a public-private partnership?

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1. Collaborative, interacting forms of mixing;
 2. Horizontal, non-hierarchical relationships between the parties;
 3. Consensual decision-making;
 4. No single “superior” capable of invoking closure;
 5. An organizational structure such as a partnership board or forum;
 6. An ability to achieve synergies between involved persons and organizations;
and
 8. Use of respect and trust as major forms of social capital.
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Source: Wettenhall, 2007.

This structure gives “concrete expression” to the collaborative arrangement “through the creation of an organizational structure (such as) a partnership board or forum” (Lowndes and Skelcher, 1998: 314). This suggests that Wettenhall’s real partnerships may be more long-term and move away from project-based to encompass program and operational level activity. The structure brings all partners to the table, where mutual adjustment and ongoing decision making is undertaken. The exchanges between partners are “unforced” and are based on inducement and mutual interest, not command (Harding, 1998).

This implies a principal-principal relationship rather than the principle-agent relationship involved in traditional contracts. This sort of arrangement has been described as a "symmetrical partnership", where individuals representing different organizations come together to pursue an agreed multi-organizational task, and are thus functionally distinguished from those who – outside the boundary of the shared task or agenda – bear the central responsibility for the policies of the individual organizations (Friend, 2006: 264-265).

Wettenhall draws from two detailed case studies in the Australian Capital Territory to make his point that such symmetrical partnerships work because they have their own organizational identities separate from, but associating closely with, the collaborating parties. He describes the jointly formed entity as a "multi-organization" created to maintain and develop a subset of the broader interests of those parties in a focused manner that would not be possible if the uniting structure did not exist (Wettenhall, 2006).

He argues that his case study organizations represent collaborative, interactive forms of public-private mixing; are capable of consensual decision-making; and can achieve synergies between the parties involved to their mutual advantage. Wettenhall concludes that it is not apparent that there is any serious internal competition between the parties, with one seeking to gain competitive advantage at the expense of another and that it is likely that all parties work on the basis of mutual trust and respect (Wettenhall, 2006, 2007).

The respective roles of competition and collaboration feature prominently in discussions about effective partnerships. It is accepted that most contracts involve competition to be effective in ensuring that all parties gain from the exchange. However, competition is antithetical to collaboration (Milward and Provan, 2003) and real partnerships, like relational contracts, may involve competition to find suitable partners, but in the operating environment after this decision has been made, contracts focus on means of developing and enhancing collaboration (see Macneil, 1980). Indeed, Lowndes and Skelcher see that such collaborations provide "an attractive alternative to the market, the quasi-market and contractualized relationships that have dominated the public management reform movement internationally in the last decade".

It is collaboration that seems to be the hallmark of those arrangements which can be deemed partnerships. The language of partnerships includes collaboration, cooperation, co-management (Kooiman, 2003); mutuality which is horizontal rather than hierarchical, coordination and accountability and equality in decision making as opposed to dominance by one or more parties (Brinkerhoff, 2002); a relationship based on cooperation, mutual trust and sharing of benefits (van der Wel, 2004); and a process by which organizations exchange information, alter activities, share resources and

enhance each other's capacity for mutual benefit and a common purpose (Himmelman, 2002).

There are a number of important consequences of this form of collaboration. First, there is an assumption of shared responsibility for product development and delivery. This invokes the idea of co-production rather than exchange, which dominates traditional contracting arrangements. According to van Ham and Koppenjan (2001: 598), PPPs should involve "cooperation of some sort of durability between public and private actors in which they jointly develop products and services and share risks, costs and resources which are connected to these products". Again, this involves a notion of partnerships that is more long-term and implies relationships that involve mutual adjustment through the terms of the arrangement.

A second implication of collaboration involves the ways in which the partners manage risk as risk sharing rather than as risk transfer (Klijn and Teisman, 2005). Under traditional contract arrangements, the private actor signs a contract after which s/he is obliged to deliver a fixed service at a fixed time and for a fixed price. Typically in case of time and cost over-runs the private actor carries the consequent commercial losses, so risk is not shared, it is transferred (Weihe, 2008: 435). Real partnerships typically allocate risk on a shared basis although when risks involved with PPPs are analyzed dispassionately, it often emerges that the public sector bears most of them, and has to bail out the private "partner" when costs escalate or less-than-expected revenues are earned (Wettenhall, 2006).

Community partnerships, certainly in the way that they have been established by most state governments in Australia and also in the UK, probably come closest to the broad articulation of partnerships as discussed above. There are several suitable templates available for evaluating the effectiveness of these partnerships. The evaluation criteria include:

1. good broker/facilitator: when partners come together they are not usually interdependent, so one key role to be played is the facilitator or broker to build relationships;
2. the right decision makers at the table with a commitment to contribute;
3. a clear purpose for the joint entity;
4. good process: for running meetings, creating work plans and documenting activities;
5. ongoing motivation through champions and achievement reports (Sullivan and Skelcher, 2002; Pope and Lewis, 2008).

These criteria underline the importance for effective partnerships of an established structure or forum in which ongoing discussion and decision making can be facilitated; the setting of goals which are specific to the new entity and which may not necessarily be exactly congruent with goals of the

constituent partners; the need for managing the network independent of the partners; and the importance of leadership and good management of the entity. These criteria imply a strong commitment to collaboration and a need, at times, to subjugate partner interest to those agreed common interests.

It is clear from the foregoing that there has been some scepticism with PPP labels being placed on projects which are often little distinguished from classical contracting arrangements or where few of the criteria that warrant description as “partnerships” are present. However, much of this critique arises from an examination of only the agreement stage of the arrangement: its consummation via contract or the like. When we focus on the trajectory of certain projects it reveals that the public-private relationship may well proceed through different stages as projects develop and it is appropriate that at some points projects can justifiably be described as “partnerships”.

For example, at planning and tendering stages, network-based approaches such as consultation with and mediation between stakeholders, and the tailoring of services to municipal requirements have been used in the development of a number of projects that finally emerged as PFIs with relatively standard classical contracts. The Victorian Government, through its Partnerships Victoria program, has now established guidelines to assist with interactive tendering processes, which have become standard practice in the development of PFI arrangements to construct schools, prisons and health facilities (Ernst and Young, 2008).

In other situations, partnerships can be more subtle, for example, in encouraging spin-off projects and programs involving the public and private parties in traditional PFIs, such as developing new customer accounts. These kinds of developments rely on the accumulated investment in relationships through the life of the PFI.¹

These arrangements are closer to Weihe’s notion of “relational PPPs” where the participants view the contract as a “framework for dialogue [rather than] an unchangeable means/instrument towards a specific end” (Weihe, 2006). This well captures the notion that even where there might be traditional classical agreements or contracts signed, arrangements both upstream and downstream of the agreement could well display characteristics which warrant being described as a “partnership”.

5. Governance Challenges

If real partnerships are to develop further, a number of key issues need to be addressed, particularly by government. Governments need to accept that if they can no longer “go it alone” and if they are to engage further in partnership arrangements, then aspects of network governance will need to be adopted and nurtured.

Network governance involves interdependence between organizations, including both state and non-state actors. It includes continuing interactions between network members caused by the need to exchange resources and negotiate shared purposes; game-like interactions, rooted in trust and regulated by rules negotiated and agreed by participants; and a significant degree of autonomy from the state for networks are essentially self-organizing (Rhodes, 1997). These elements imply the formation of a formal structure in which interactions and negotiations can occur, and in which trust can be built and maintained. Maintaining trust can be seen as a reciprocal and endless task given that as a working axiom, networks demand high trust.

The analysis of PPP projects in the Australian state of Victoria suggests that, while the commercial risks have mostly been shifted away from government as promised in the advocacy rhetoric, huge related risks remained in “the governance domain” (Hodge, 2004) especially related to social projects where typically the private sector does not take “usage risk”. A number of these risks are amplified should governments move more into network governance.

High among concerns is the question of accountability. Wettenhall (2006) observes that the public record is littered with reports by auditors-general, academic analysts and general press comment drawing attention to weaknesses of the PPP system both potential and actual. English and Guthrie (2003: 508) observe that,

Despite their power and influence, auditors-general and parliamentary committees have to date played a relatively insignificant steering role. The complexity of supporting documentation, commercial-in-confidence clauses, and the reluctance of governments to make crucial aspects of their dealings transparent, make real-time accountability problematic.

The conundrum presented is how governments handle public criticism of arrangements, where the traditional Westminster method of ministerial defence of public policy implementation is inappropriate since the partnership lies partly outside the traditional public sector.

It seems that governments need to accept a steering role and develop arrangements which release commercial-in-confidence provisions to auditors-general and to parliamentary committees, perhaps on a similar basis to that used for national security matters: arrangements could be established as a finance equivalent of official secrets acts. It also may mean rewriting the rules for parliamentary oversight by requiring private partners to be directly accountable, especially for performance, to the legislative branch of government. It may also require of government greater devolution to structures established to manage ongoing arrangements for partnerships.

Not only do governments need to steer broad system-wide changes to accommodate the emerging partnerships, but also the skill set of public

administrators need to adapt to managing these arrangements. Administrators will have to develop new models for horizontal program management, enhance management flexibility to better coordinate the work of more semi-independent agencies, and develop skills in performance management which in all likelihood will operate more at arm's length than in traditional bureaucracies.

Public administrators will also need to better understand the operations of the non-state sectors and their values. It is likely that governments will not have sufficient financial and commercial expertise to match those of partners from corporate enterprises in ensuring that the public sector is treated fairly in the very complex contract negotiations needed to get a project under way. The big private "partners" often have huge political clout so that processes designed to monitor their performance can be compromised. In short, public administrators will have to synthesize the often-disparate values that underpin the public and private sectors.

6. Conclusion

The Australian national government has recently attempted to harmonize PPP policy and practices across jurisdictions and to develop "best practice" guidelines (Infrastructure Australia, 2008). It has been argued by governments that greater national consistency may make PPPs more attractive to bidders and lenders. However, the approach may well be inappropriate given the difficulties in defining and articulating the features of the range of PPPs that currently exist. Weihe (2008: 439) points out the dangers of applying the same concept to different realities and that "contradictory conclusions about the effectiveness and pitfalls of PPP reforms emerge when it is not clear what practices the concept covers".

The current PPP experience shows that many different arrangements are possible. It is this diversity of possibilities that holds out stronger public policy options for government, policies which can be tailored to particular circumstances. For example, the recent global financial crisis is undoubtedly impacting on PPP arrangements. The flow of PPP projects in Australia has slowed as major private sector participants have been caught up in the crisis (Quiggin, 2008). What is becoming clearer is that, for the present at least, the cost of private financing compared with public debt serviced from user charges or general revenue is likely to push the public-private mix more towards arrangements in which the public sector may be the more dominant partner.

However, PPP arrangements are now quite embedded as public policy and the question is not whether to engage in partnership but what form that partnership might take. This may well mean that governance objectives such as "equity" and "efficacy" will be regarded more as situational. This presents

a huge challenge to public sectors world wide to develop and enhance governance arrangements which accept that the delivery of public services will increasingly be contingent and managed through networks and partnerships between state and non-state actors. In such circumstances, governments must accept a strong leadership role in steering governance arrangements to ensure that collective interests are captured in the process.

Note

1. The author is grateful to officers in the Victorian Department of Treasury and Finance for assistance in providing details of particular case studies to support this point.

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