

Privatisation
and
Public-Private Partnerships
- some observations on the
British experience

Range of procedures includes

- unconditional sale
- private monopoly under regulation
- private firm retaining public subsidy and supervision
- public body with internal market
- PPP/ PFI schemes

1980s government perception of private sector

- inherently efficient
- competitive
- low labour costs
- entrepreneurial
- customer focused
- responsive to demand

1980s government perception of public sector

- inherently inefficient
- no competition
- high labour costs
- operator focused
- unresponsive to demand

“Treasury Rules”

- define public expenditure
- control public sector borrowing and investment
- negative attitude to public expenditure

Goals of privatisation

To increase investment
and to reduce, or eliminate:

- public subsidy
- public investment
- influence of trade unions
- govt responsibility for provision

Also

Government receives
substantial cash receipts

Actual consequences

- high prices to customers
(other than low cost airlines)
- reluctance to invest in new operations
to meet demand
- public policy goals ignored

PPP/ PFI schemes

One or several private firms borrow the money for a project and retain ownership.

Money is repaid over time either by the public body, or by direct charges to users, or a combination of both.

Advantage:

Government does not count the borrowing as “public expenditure” placing it outside the constraints of a public sector capital budget

Disadvantages:

- real cost of borrowing is increased
- in the long term, the only sources of money are taxes and direct charges - the public has to pay more.
- direct charges are controlled by the investors on a commercial, not public policy, basis.
- in reality, the public sector still ends up bearing the commercial risk.