Under the microscope

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Can Public and Private ever work together?

Whilst the idea of the Private Finance Initiative (PFI) or the looser arrangements under Public Private Partnership (PPP) seem to have been with us forever, one can trace the formal introduction of PFI back to 1992 and the Conservative Government's desire to attract greater private sector investment into public assets and services. At the time Labour took control in 1997, the Bate's Report suggested that a more balanced approach to public/private collaboration should be taken and the term PPP was coined. With this report came a declaration of broad support from New Labour for continued private sector involvement in the delivery of public sector services, from hospitals to London's tube system.

Traditionally PPP/PFI projects have been used to deliver infrastructure (roads and schools for example) and non-core infrastructure (IT systems such as the upgrade to Air Traffic Control), but of course the introduction of the private sector's capital skills and resource stretches to projects far beyond this, and has done for some time.

Indeed, one could argue that the introduction of Lottery capital funding into the arts and cultural sectors in the mid-1990's triggered a significant number of Public/Private projects. So for once, Arts and Culture was, if not ahead of the game, at least running alongside it.

The government's wish to facilitate a greater role for the private sector in the domain of public sector facilities provision was triggered by the recognition that the latter had a number of systemic faults. There are few incentives for good performance, there is an aversion to risk; there is inefficiency in terms of investment decision-making. The prospect of partnership with the private sector seemed like it would be worth the effort. Risk could be shared, expertise could be imported, resource could be increased and above all, the public sector could be free to focus on operations and service delivery.

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Yet the new generation of partnership projects has not been without its failures, nor pioneers without their critics. Private sector delivery of public services is still viewed with significant suspicion, principally because the profit motive is perceived to create an irrevocably divergent interest and this has led to adversarial arms length contracts and a failure to develop trust. Furthermore, there has been a number of high profile failures in terms of delivery and one of the key areas of anxiety, the termination or closure of contract term, has yet to be faced.

But for every unhappy ending there are successes; it is just unfortunate that they never seem to be so newsworthy. Belfast's Odyssey would never have got off the ground without the £20 million from a local developer and the Centre for Life in Newcastle is buoyed by the extent of its private partnerships. More often than not, failure is the result of an ill-conceived project rather than the difficult marriage of the private and public sectors.

Nevertheless leaders in the arts and cultural sectors in the United Kingdom are still desperately nervous about embracing this new form of partnership. At the heart of their concerns lies the issue of trust. I am currently working on three projects where there would seem to be a golden opportunity to bring together the private and public sectors for the greater good of the arts consumer. Yet there is an overriding perception on the part of the arts community that the private sector is after one thing and one thing alone: profit and financial return.

Of course, with this overriding belief at the forefront of these projects' public sector guardians' minds, the chances of successful involvement of the private sector are limited. Not only is there a huge worry about failure to deliver, but there is the additional concern that the evil finger of the public audit commission will pick and probe to the point where a public sector servant loses all credibility (or is forced to resign).

What seems not to be appreciated is that the private sector has a reputation to protect too. They must be seen to be capable of delivering on time and on budget, in whatever they do, whether it be a straight up and down office block development, or a more sensitive and thought provoking contemporary art gallery or theatre.

There must be a way forward. Chances of breaking this confidence log-jam are likely, at the outset at least, to lie in greater dialogue, more collaboration and more transparent contracts. The systematic implementation of collaborative PPPs implies a fundamental shift to a more self-confident acceptance of the market as one of the routes to service provision. But to get there the decision-makers need more latitude and a less aggressive blame culture to work in.

Capturing these issues contractually and ensuring equity and probity is not impossible. It starts with a spirit of partnership rather than negotiation. And here, I think, is a key. I have worked with a number of private sector developers who are prepared to take an open book approach to the development of public sector facilities, all of whom are willing to underwrite fixed-price contracts, share any cost savings against construction budgets

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and agree to fair and reasonable claw-back provisions. One of them is even prepared to look at guaranteeing revenue projections against a forecast baseline.

With the private sector so willing to step forward to partner the public sector in this area, it would seem that there is a significant opportunity to make serious headway over the coming years. Ironically, however, it would appear that this willingness is almost working against such partnerships. The public sector response being "if these guys are so ready to come to the table there must be something wrong with the deal".

Until there is a greater confidence in striking the sort of partnerships that have led to so much success in North America, methods of financing cultural and artistic facilities in this country will continue to lag behind. The public sector must be given some latitude to embark upon a series of more innovative and imaginative partnerships, freed from the nagging anxiety presented by public audit committee investigations. But by the same measure, the private sector must show patience and respect as they walk through early negotiations and valuations, most arts administrators would rather walk into a lion's den than lunch with a developer.

The rewards seem significant and worthwhile. With development and construction delivery in the hands of the private sector, the country's arts and cultural organisations, freed from the day to day concerns of matters of which they are not well equipped to deal, can be liberated to consider policy and service options from the point of view of the consumer. Buildings can be built (on time and on budgets) at the same time that arts programmes are enhanced and reinforced: the public will flock en masse. Wouldn't that make a nice change?