



Private Risk, Public Service

Gary L. Sturgess

Why are public-private partnerships easier for British Labour than for the Australian Labor Party?

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This article takes its title from the motto of the world's first public railway, the Stockton and Darlington, which carried its first passengers in 1825. The Stockton and Darlington was public, not in the sense of being government-owned, but rather in the sense of carrying members of the general public for a fee. The motto on its seal or logo was *periculum privatum, utilitas publica*, meaning 'at private risk for public service'.

Under the leadership of Prime Minister Tony Blair, the Labour Party in Britain continues to rewrite the textbooks on social democratic politics. Nowhere is this more apparent than in its approach to the private provision of public services: privatisation and outsourcing are eschewed, but public-private partnerships (PPPs) are everywhere.

In Australia and in the United States, a great deal of media attention has been given to the government's intervention in Railtrack, the private company that owns the network of tracks and stations. This has led some commentators to argue that the Third Way is dying, if not actually dead. Undoubtedly, this was an important step in Labour's reinvention. Some investment fund managers have argued publicly that it has damaged their confidence, but others have firmly repudiated any such suggestion. It is certainly true that the government's next steps are being closely watched by the City. But the Railtrack intervention was not a 're-nationalisation'—Labour is insistent that it will not be brought back onto the government's books—and until the bidding process to determine its successor is

completed, it will not even be clear whether it was a 'de-privatisation'.

This preoccupation with Railtrack ignores the radical reform that continues elsewhere in government, both in traditional infrastructure services where there is little controversy, and in core public services such as education and health, where a number of trade unions are flailing the government in an attempt to turn back the tide. The international media have paid some attention to this tension between government and unions, although they have generally failed to recognise that the reason for this conflict is the government's determination to press ahead. It is worth briefly recapping how far this line has been moved:

Transport: Controversy over the future of the public-private partnership on London Underground continues, but the Prime Minister and the Transport Secretary recently reaffirmed that they will not be deterred. Financial closure is expected in the summer. Elsewhere throughout Britain, PPPs are confidently being pursued in urban light rail systems, including a recently-announced extension to the Docklands Light Railway in the Greater London Authority's own backyard.

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Moreover, Mayor Ken Livingstone has just signed a contract with a private firm to operate his congestion charging (toll road) system for inner London. Last year, the central government let a contract to a private firm to design, build, finance and operate the new traffic control system for England. The new generation of intelligent traffic management will largely be implemented through PPPs. England's first tollroad is now being built.

Defence: Defence support was one of the earliest government functions to be market-tested under the Conservatives. That programme has not only continued under Labour but it has been considerably extended. For several years now, the Ministry of Defence has been working on a policy for 'sponsored reserves', whereby the employees of contractors will receive a higher level of military training than traditional reservists and will operate under military command when in war zones.

Justice: It remains government policy that all new prisons will be designed, built, financed and operated by private firms (with no in-house bid by the Prison Service). Contract prisons have been an outstanding success in the United Kingdom and a number of commentators on the Left (and indeed, some of the prisoners themselves) have praised the companies for introducing a new standard of decency into corrections. The government also has a policy of exposing failing public prisons to competition (without an in-house bid), although the lack of flexibility in the first of these (the notorious Brixton) resulted in the private sector declining to bid.

Support services in a number of policing agencies (such as pathology services, secure evidence storage and security at crime scenes) have been contracted, and a number of constabularies are now in the process of establishing PPPs in key back-office functions, such as the construction and management of custody suites. Civilianisation of some frontline policing functions continues, and while the Police Association is concerned at the increased use of neighbourhood wardens as a precursor to privatisation, there has been little concern at a pilot scheme using retired police officers to take witness statements in 'volume crimes' such as breaking and entering.

The Lord Chancellor's Department is looking at granting powers of arrest to private court bailiffs (who will be certified by government), and in January, the same department proposed outsourcing support services in the courts—security, records storage and the like.

Education: A number of different approaches to private provision have been pursued in the education sector, not all of them successfully. The most radical has been the former Education Secretary's policy of bringing in private sector firms to turn around failing local education authorities (which provide education support services similar to a regional office of the Department of Education). It is still early days and the results thus far are mixed. But not only is the new Education Secretary proceeding with this policy, she has also extended it to failing schools and is proposing to change the law to open the door to voluntary PPPs by successful local education authorities. The Education Ministers have actively encouraged private firms to develop expertise in education services and commit themselves to the market.

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Health: The National Health Service (NHS) is close to the ideological heart of the Labour Party in Britain: it is a large part of how the party has defined itself in the postwar period. As a result, Ministers have moved cautiously in redefining the public-private boundary in this area. The most significant change prior to last year's

election was the shift to privately-provided public hospitals through the Private Finance Initiative (although clinical services were kept in-house). Since the election, the government has begun to purchase NHS beds from the private sector, it is negotiating with private firms for the construction and operation of fast-track surgical centres, it is allowing NHS Trusts to send patients on their waiting lists for operations in France and Germany, and in January, the Health Secretary announced that he was prepared to franchise the management of failing hospitals to private (for-profit and not-for-profit) firms.

It is true that there has been something of a backlash within the party since the election—some of the unions had expected Labour to return to the old ways after the first term, and there is obvious disquiet on the

backbench. There is experimentation with softer forms of partnership that will take some of the heat out of private provision, and Labour has certainly become more measured in its language. But the very reason why controversy has continued in the months since the election is that the government has continued to push the boundary between public and private provision.

Surveying the Australian scene

Among the Australian States, now entirely in the hands of Labor governments, there has been some interest in the British experiment with public-private partnerships. But there has been none of this same fascination with probing the boundary line between public and private. As a former Australian public official, now living and working in the midst of this profound change, I have repeatedly asked myself why this is so. Why has the Labour Party in Britain apparently found it easier than its Australian counterparts to engage with the private sector in the delivery of public services? There are a number of possible reasons:

(i) *Party composition*: One explanation might be that the Labour Party in Britain is structured differently to the social democratic parties in Australia or that its membership is drawn from a different constituency. There may be something to this. The Labour Party in Britain was formed out of an unlikely coalition of the trade unions and some of the leading liberals of the day. It would be unwise to overstate the importance of this legacy, but it is one of which Blair and his advisers are most certainly aware. In a keynote speech on the first day of the election campaign last year, Blair clearly identified himself with this tradition, speaking of renewing the Labour Party as ‘a modern, liberal, social democratic party.’

There would also seem to be some differences in the trade union movement. One of the consequences of a decade or more of privatisation and outsourcing in the UK is that some of the public sector unions have found themselves representing workers who have transferred to the private sector. And in internal union debates, some delegates have been prepared to speak up on behalf of private provision and challenge those who repeat the old mantra of ‘public good, private bad’.

But it would be wrong to make too much of this—there are still a number of public sector unions that find the concept of private provision deeply offensive, and there continues to be significant disquiet on the backbench. Public-private partnerships, particularly in the delivery of core services, are still profoundly challenging to the Labour Party in Britain.

(ii) *Party leadership*: The next most obvious explanation, then, is the role played by a succession of party leaders, from Neil Kinnock through to John Smith and Tony Blair, in helping the party to jettison its ideological commitment to state ownership. There is very little that is ideological about Tony Blair. The unofficial slogan of his government is ‘what matters is what works’, and in one famous speech to the party shortly before he was elected, Blair explained that he had never felt that he had to make a choice between capitalism and social democracy—he grew up with blue jeans *and* the NHS, he explained.

Blair instinctively sees government through the eyes of the consumer and time and time again over the past five years, he has argued that government must be run for those who use it and not for producer interests. A major policy statement released by the Prime Minister in March declared, ‘Public services have to be refocused round the needs of the patients, the pupils, the passengers and the general public rather than the problems of those who provide the services.’

Public services (and particularly health services) have become the central issue in British politics over the past couple of years, and there is a widespread belief that if Labour does not make a significant change prior to the next election, they will be punished by the electorate. And as one senior trade union figure expressed it, Blair will ride any horse that will get him over the line.

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(iii) *External pressure:* A third area of difference may lie in the external drivers. In some respects, these pressures are no different to those facing Australian governments. Fiscal stress continues to be a significant underlying driver, but that is by no means unique to the United Kingdom. Nor are rising customer expectations and technological change. European integration aside, the pressures of globalisation are fairly similar.

The most notable difference is to be found in the European Union. NHS patients now have a partial 'hospitals voucher' that they can use to get treated in French and German hospitals. This is largely because of a decision by the European Court of Justice last year, although Number 10 Downing Street certainly embraced this decision as a way of bringing outside pressure onto the NHS.

Much the same is true of postal reform. Legislation is about to be debated in the European Parliament that will significantly increase competition in postal services. Pressure for reform is coming from countries such as Germany, Sweden and the Netherlands that have already substantially privatised their postal services.

But again, it would be wrong to overstate the significance of these examples. In most areas, Britain leads the rest of Europe in public-private partnerships rather than following.

(iv) *Public opinion:* A fourth possible explanation might be that public attitudes are different. Here the evidence is mixed. There is a body of research showing great concern on the part of the British public about the involvement of private firms in the delivery of public services. On the other hand, there is also research showing that as long as issues of quality, affordability and accountability are addressed, the public doesn't

much care who delivers public services. The results seem to turn heavily on how the proposition is put.

In one area at least, the British appear to be more cautious about private sector involvement and that is in the National Health Service. Australians quickly warmed to Medicare when it was finally introduced in 1984, but the NHS was a central part of the national settlement reached during the World War II and was implemented by Labour from 1946. Cross-cultural

research shows the British to be further to the left in this issue than the social democracies of Scandinavia. Certainly, it remains an article of faith to the Labour Party.

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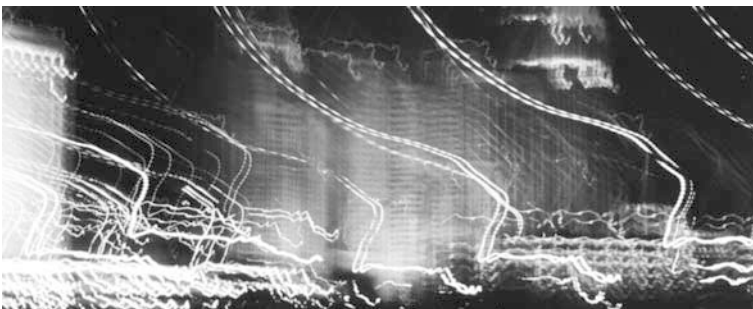
(v) *Cultural and institutional memory:* Perhaps the most compelling explanation lies in the past. Up until World War II, the British had always relied heavily on private institutions to deliver public services, and while this is not readily recalled in the midst of the day-to-day debate over private provision, there is a kind of institutional memory that transmits

the experiences of the past.

I suspect that these memories have been passed down to the current generation in a number of different ways. On the one hand, there was the unhappy experience with the nationalisation of heavy industry and key public infrastructure following World War II. No-one in the Labour Party is arguing that British Steel, British Telecom or Jaguar should be brought back into public ownership.

On the other hand, there are daily reminders of the private origins of much of the country's physical infrastructure—private bridges and turnpikes stumbled across down back roads and byways, built in the 18th century and still collecting tolls; the badges of the private companies that built the railways, still to be found on bridges and above station doorways; the ancient buildings of private water companies that were never nationalised; lighthouses still operated by the gentlemen's club of shipowners that was first chartered in the 16th century.

The Eddystone Light may be the stuff of legend, but it is the legend of Trinity House, a private organisation. For generations of children, the London Zoo has been a place of wonder, but that spell is woven, even today,



by a private organisation. And Thomas the Tank Engine, who still populates our children's dreams, was never nationalised, for Thomas is a private tank engine.

For those of us who work in the world of public administration, the mnemonics are more powerful still. The Bank of England, which bequeathed us the concept of central banking, was until 1946 still a private company. The Northcote-Trevelyan Report—the defining document of a merit-based public service—was based on precedents laid down by a private company—the East India Company, which governed India as an agent of the British Crown for the first half of the 19th century. Indeed, the term 'Civil Service' was itself borrowed from the Company. And the National Trust, which owns 885km of coastline, 207 historic houses, 60 villages and hamlets, 8,000 paintings and a million books is, in England, a private body.

By and large, Australia did not follow Britain's lead. In large part this was because the early settlers and administrators were building the nation's economic and social infrastructure from the ground up. Britain had been able to construct its public institutions over hundreds of years. Our capital markets were in their infancy, so that promoters found it difficult to raise finance. The first rail track in NSW was laid down by a private corporation, but it was acquired by the colonial government prior to its opening because it could not raise sufficient finance.

But this is only part of the explanation. After all, many of the world's railway systems were funded by British capital. What, then, is the reason? By the end of the 18th century, public administration in Britain had itself begun to change. The process of municipalisation and nationalisation would not begin in earnest for another 80 years and wholesale nationalisation would not take place until the middle of the 20th century, but a shift in thinking had already taken place by the time the First Fleet sailed.

Having said that, there was a great deal more private provision than Australians remember. New South Wales relied heavily on turnpike trusts (a semi-private institution) from the time of Lachlan Macquarie. As late as 1865 there were still 34 toll bars throughout the colony. The road that we drove down from

Toowoomba to Brisbane when I was a child was still known in those days as 'The Tollbar'. It had been constructed by local landowners in 1846 and operated as a tollroad.

Several of our early railways were privately financed and operated. Sydney, Melbourne and Adelaide were served by private electricity companies until the 1940s. Victoria nationalised its gas companies in 1950; NSW never did.

The churches played a significant role in the creation of social services, particularly the hospitals and schools. The work of Mary McConnel in establishing the Royal Children's Hospital in Brisbane, and Mary MacKillop in founding the Josephite teaching order, are clear evidence that Australians were also actively engaged in building social capital throughout the late Victorian era.

In education, Australians preserved this tradition of private provision. One in three Australian children is educated in a private school, a ratio that is much higher than the United Kingdom, Canada or the United States. In this one area, we have a tradition of private provision that is much stronger, and because much private schooling in Australia falls within the Catholic parochial system it lacks the elitist overtones of private education in Britain.

Conclusion

Does it matter? In my view, it does. The fact that the British have a deeper history of alternative service delivery

means that they also have a much richer repertoire from which to construct the next generation of social and economic institutions. They have the benefit of institutional diversity and a richer memory pool from which to generate solutions. And for the same reason, they are more adventurous in experimenting with new alternatives.

But for a political leader who was minded to explore the boundary line between public and private, there is an Australian tradition upon which to draw. Lachlan Macquarie and Mary MacKillop are potent figures in Australian society even today. But it would require someone with leadership potential and a sense of history to recognise that and how they might be interpreted in a contemporary setting.

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