

Chapter 9

Public–Private Partnerships: A Comparative Perspective on Victoria and Denmark

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Introduction

Public–private partnerships (PPPs) are co-operative institutional arrangements between public- and private-sector actors. This chapter examines whether PPPs represent a continuation of, or a break with, the New Public Management (NPM) agenda, and how policy on PPPs has been formulated and implemented in Scandinavia and Australia. In the various countries where it has been implemented, the NPM agenda has been shaped and transformed by national contexts and trajectories (Christensen and Lægreid 2001a). PPPs have become increasingly popular as a form of organizing the interface between public- and private-sector organizations around the world (Hodge and Greve 2005). This chapter compares experience of this form in the state of Victoria in Australia with that of Denmark in Scandinavia. Both states have a population of around 5 million inhabitants and are part of a larger polity (Australia and the European Union). Victoria has been at the forefront in establishing PPPs, and the state has a relatively advanced policy on PPPs and many projects to show for it. Denmark has lagged behind concerning PPPs and hence has a less developed policy in this area and fewer projects to show.

The chapter argues that PPPs relate to the NPM agenda in different ways in the two states on account of the different reform paths they embarked on: while Victoria adopted an NPM path with a market focus, Denmark has been more reluctant in implementing the marketization aspect of NPM and has therefore been less inclined to jump on the PPP bandwagon. PPPs remain a double-edged sword, however, for although they signal co-operation and dialogue across sectors and are often associated with trust, they are also based on ‘hard’ and rigid contracts and strict financial discipline, and their aim is to make the public sector more closely resemble the private sector. The key questions in this chapter can be summed up as follows: does PPP policy represent a continuation of or a break with NPM? How has PPP policy been implemented in Victoria and Denmark? What explains the differences in policy and implementation in the two places? The chapter uses a historical–institutional approach to the question of policy and institutional change, which focuses on path dependencies and ‘increasing returns’ (Pierson 2004) and also builds on the transformative approach (Christensen and Lægreid 2001a).

Public–Private Partnerships: Continuation or Break with New Public Management?

Introducing PPPs

The term public–private partnership has been variously defined by governments and scholars around the world. The Dutch scholars Klijn and Teisman broadly defined PPPs as ‘more or less sustainable cooperation between public and private actors in which joint products or services are developed and in which risks, costs and profits are shared’ (Klijn and Teisman 2005, 96). Similarly, other Dutch scholars have defined PPPs as ‘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 with these products’ (Van Ham and Koppenjan 2001, 598). Public–private organizational mixes have a long history (Wettenhall 2005d), going back to co-operation in privateer shipping, in the use of mercenary armies, in the trade and commerce associated with colonial expansion and in the use of mixed enterprises provided for under private law but to serve public-service purposes.

In their broadest sense, PPPs are just about every type of interaction between public and private actors. Here, however, the emphasis will be on co-operation between (formerly) adversarial (or ignorant) actors, on dialogue between parties, on innovative processes in project management, on the sharing of risks associated with the delivery of services and infrastructure-building projects and safeguarding relationships built on trust. In other words, PPPs are associated with high expectations about how they can renew public service delivery.

In a narrower sense, PPPs are distinct institutional models mainly used for infrastructure development, such as build-own-operate-transfer (BOOT), build-own-operate (BOT) and lease-build-operate (LBO) (Savas 2000). Such ‘economic’ or financial PPPs tend to dominate the current public-administration literature (Hodge and Greve 2005). Economic partnerships are organizational and financial arrangements that involve the use of private finance in the construction, operation and maintenance of public infrastructure. The best-known version of this is the ‘PFI-arrangement’. PFI is the abbreviation for Private Finance Initiative, the name given to the initiative that Britain has pursued since 1992. The Conservative John Major government first launched the initiative in an effort to attract private funding for the public infrastructure. The policy was then adopted by Tony Blair’s New Labour government later in the 1990s and has subsequently been amended and refined. Private firms ‘take on responsibility for providing a public service, including maintaining, enhancing or constructing the necessary infrastructure [required]’. ‘PFI-type partnerships’ have come to be equivalent to PPPs in many areas of the world and are particularly prevalent in the United Kingdom, the Netherlands, North America and Australia, while countries like Germany, Sweden or Denmark have less experience with this type of institutional arrangement (Hodge and Greve 2005). By 2003, 563 PFI contracts had been concluded in the UK with a total capital value of 35 billion GBP (Corner 2005, 44).

What is at stake in economic or PFI-type partnerships? Proponents claim that the advantage for government is a new infrastructure that can be financed more

cheaply and erected more quickly than would otherwise have been the case. In addition they utilize private-sector expertise in operation and maintenance, allowing public-sector actors to benefit from private-sector innovative capacity and from the mutual learning that takes place in joint projects (Pollitt 2005). For private-sector companies, the advantages lie in the relatively secure nature of investment in public-sector activities and the access to new markets that this provides. Risks are addressed more acutely than they would normally be, and the types of risk identified include 'risk of construction overruns, higher than expected costs of maintenance, increases or decreases in demand for services provided in the facility, and changes in the legislation or the regulatory regime affecting how the building or the services it houses are delivered' (Corner 2005, 45). The arguments are not purely economic but also include issues like innovation and sharing of knowledge (Flinders 2005). More sceptical observers tend to note how projects are not always delivered on time, how contractual relations are not as flexible and innovative as they may seem at first, but actually resemble classical 'hard' contracts (Klijn and Teisman 2005), how government accountability mechanisms are not always fully developed (Hodge 2005) and how projects can be more narrowly interpreted as 'public funding of private profit' (Shaoul 2005).

PPPs and NPM

PPPs can be seen both as a continuation of the NPM agenda in public management reform and as a break with that agenda. Let us examine these arguments in turn.

PPPs can be seen as continuation of the already existing policies and tools that encourage private-sector activity in the delivery of public services. As Greve and Hodge (2005, 3) observed, 'if privatization is a story about private organizations delivering government services over the past few centuries, PPPs appear to be the latest chapter in the book'. Both contracting out for public services and privatization in the form of asset sales are generally regarded as integral parts of NPM policy (Hodge 2000). Using private-sector organizations to deliver public services and infrastructure are seen as the key to the 'marketization' part of NPM in almost any account in the literature (Christensen and Lægreid 2001a; Pollitt and Bouckaert 2004). PPPs continue that policy by adding a more refined dimension to how private-sector organizations can be used in public-service delivery. PPPs are simply seen as a 'softer' option for governments to draw on private sector expertise than the more direct strategy of privatizing or shifting responsibility for service production to the private sector. Companies and citizens alike are said to be put off by the more confrontational language and attitudes associated with the privatization movement of the 1980s and 1990s. Companies themselves have called for an end to 'raw' privatization and contracting out (as is the case of the Danish multinational company International Service Systems 2002). The basic policy of bringing the private sector closer to the market for public-service delivery remains in place, however. Some companies might even think of PPPs as a necessary step in order to lure the public sector into sharing some of its authority and expertise, while the long-term aim of the private sector is to take over the business completely. This argument is in line with the interpretation of scholars who see public-private partnerships merely as a

rhetorical device that paves the way for the more wholesale privatization and private-sector performance (Linder 1999; Savas 2000).

PPPs can, however, also be seen as a break with the NPM agenda, in the sense that they are more developed institutional arrangements that focus on sharing responsibilities in facing new economic, social and political challenges. The concept of PPPs emphasizes that no one organization can solve problems alone and that, to find solutions to complex public policy tasks, public- and private-sector actors must form new institutional arrangements that allow for participation from both sectors. As readers will quickly discover, this is not all that different from the more general governance literature on power-sharing arrangements (Crosby and Bryson 2005) or the public policy networks associated with the more general public policy literature. Indeed, there is overlap, for some of the well-known contributors on PPPs are also highly prolific researchers on complex policy networks (see, for example, the Dutch school of network researchers such as Klijn and Teisman 2005). In the more stylized version of network theories, PPPs are institutional arrangements that allow both public and private actors to come forward and address complex problems in mutual agreements. PPPs are also about challenging the principal-agent relationships normally associated with public-sector contracting and entering the area of principal-principal relations and win-win situations. However, in the empirical research from precisely the same network-oriented researchers, a number of obstacles to this strategy are pointed out. The research has, for example, revealed a lack of incentives for governments and the private sector to enter into truly co-operative agreements and this, in conjunction with the usual real-life principal-agent relations associated with hard legal contracts, throws the more optimistic hopes and aspirations of these partnerships into doubt. Just as recent network theory has focused on 'dark networks', sceptics might regard PPPs not as rosy, co-operative institutional arrangements, but as 'dark PPPs' – that is, as arrangements where murky deals are reached and innovation is stifled because of strategies based on actors' self-interest.

The idea of PPPs has travelled internationally. Like NPM, the PPP idea emerged in Britain and then soon began spreading to other countries around the globe, like Australia and Canada. Sahlin-Andersson (2001) has distinguished between national, international and transnational constructions of management ideas. The PPP movement is one example of an increasingly transnationally formed public management idea. Any state around the world choosing to adopt PPPs must form its own opinion and policy on them. The Dutch Ministry of Finance, for example, has formed special units within central government to deal with PPPs. For the European Union, PPPs are 'forms of cooperation between public authorities and the world of business which aim to ensure the funding, construction, renovation, management or maintenance of an infrastructure or the provision of a service' (European Commission 2004). The big consultancy firms have gained enormous expertise in PPP deals and may hold the most up-to-date knowledge of PPP arrangements. In the UK, PPP policy is actually managed by a PPP known as Partnership UK – a partnership between the government and private-sector actors to manage projects and policy on PPPs. PPPs have also been taken up by policy institutions such as the World Bank, and the European Commission has issued a green paper on PPPs and consulted with governments and other bodies to improve the report and the findings.

PPP Implementation: the Institutional Context

In theoretical terms, PPPs have been interpreted as a continuation of the NPM agenda because the latter advocates private-sector involvement in delivering public services and continues the policy laid out in already existing legislation on contracting out and privatization of state assets. PPPs have also been interpreted as a break with the more radical marketization profile associated with the NPM agenda as they have focused on the shared-power potential found in much of the literature on networks in public policy and management and emphasized co-operation. We cannot resolve this dispute here. Instead, we focus on empirical investigations of how states have chosen to implement the PPP strategy. We therefore need to examine the institutional context in which the PPP reform proposals have been initiated. From a theoretical point of view, it can be claimed that a basis exists for both the ‘break’ and ‘continuation’ hypotheses, but first we must discuss how change can be achieved in institutionalized contexts.

Institutional Change Processes

From the literature on comparative public management reform, we know that we cannot expect a global convergence around single ideas or concepts (Christensen and Lægreid 2001a; Pollitt and Bouckaert 2004). Likewise, Hood (1998), in another influential analysis, has refuted the idea that all countries will converge on a singular NPM model and argued that they will follow different adaptation strategies according to their mix of previous reform elements. This strand of research is often associated with the historical–institutional perspective within the broader stream of institutional analysis in political science and comparative political economy (Campbell 2004; Pierson 2004; Streeck and Thelen 2005; Thelen 1999).

Historical institutionalism was perceived as institutional change occurring at critical junctures followed by (longer) periods of development (Thelen and Steinmo 1992). Institutional change was thought of in terms of ‘the punctuated equilibrium model’ whereby ‘institutions are characterized by long periods of stability, periodically “punctuated” by crises that bring about relatively abrupt institutional change, after which institutional stasis sets in again’ (Thelen and Steinmo 1992, 15). Path dependency means ‘technology, like politics, involves some elements of chance (agency, choice), but once a path is taken, then it becomes “locked in”, as all the relevant actors adjust their strategies to accommodate the prevailing pattern’ (Thelen 1999). Critical junctures are ‘about crucial founding moments of institutional formation that send countries along broadly different development paths’ (Thelen 1999).

Later theoretical developments concentrated on identifying positive policy feedbacks and ‘lock in’ mechanisms that sustained the reproduction of a particular course of development. Pierson (2004) borrowed from economic theory to explain how positive feedback processes could reinforce a particular path of development in politics as well. According to Pierson (2004, 21), path dependency ‘refers to social processes that exhibit positive feedback and thus generate branching patterns of historical development’. Change has increasingly been seen as ongoing and the

shifts in policy are not so dramatic (Thelen 1999). The imagery here is not so much that of a tree with branches as rail tracks that cross each other from time to time at specific junctures.

The role of institutional entrepreneurs was also introduced (see, for example, Campbell 2004). Institutional entrepreneurs are typically located at the hub of social networks and institutions, and because of their unique positions they are able to influence the direction taken by policy paths.

A recent argument has favoured an even more dynamic perspective on institutional change, which allows for gradual transformation of institutions (Pierson 2004, 137–9; Streeck and Thelen 2005). Streeck and Thelen (2005) identify five types of institutional change process, which they label ‘displacement’, ‘layering’, ‘drift’, ‘conversion’ and ‘exhaustion’. ‘Displacement’ is described as a process of ‘slowly rising salience of subordinate relative to dominant institutions’, and ‘layering’ depicts a process where ‘new elements attached to existing institutions gradually change their status and structure’. Streeck and Thelen’s approach allows for a dynamic interplay between ‘rule-makers’ and ‘rule-takers’ where rules are not always consistent internally or fully developed but will in many cases be open to interpretation and therefore to various courses of action, and actors know that third parties may intervene legitimately.

What does the institutionalization of a PPP policy then imply? To answer this question we would look at a number of different elements: what, if any, is the ‘problem’ that PPPs are supposed to address (see also Kingdon 1995 on agenda setting)? Is there a coherent policy (or policy document), and how is it implemented? What kinds of politics are involved in institutionalizing PPPs? What are the business interests of PPPs? What kind of regulatory framework is established for PPPs?

PPP Policy in Victoria and Denmark: Tracing Policies and their Implementation

This section will consider PPP policy and implementation in Victoria, as a state of Australia, and in Denmark, as part of Scandinavia and the European Union. Why compare these two states? There are several reasons for this. Victoria has been at the forefront of efforts to use market-type mechanisms in public-service delivery. Denmark has been more reluctant to use market-type mechanisms, although market rhetoric has sometimes been prolific. Victoria is the state in Australia that has been most engaged in using markets for public-sector services and in developing PPPs. Victoria has a reputation for wanting to try out new management ideas to see how they work. Denmark also tries out new management ideas, but not primarily those concerned with markets and contracting. There are other states in Australia that are pursuing market-type mechanisms and partnerships, but none have thus far shown the same vigour as Victoria. The two other states in Scandinavia have roughly the same approach and hence could also have been chosen as examples, but the Danish case is the one with which one of the authors is most familiar and knows in detail, so Denmark was chosen as an illustrative case.

The country profile will include a presentation of policy development, a description of selected PPPs and a discussion of the politics and the organization of PPPs in each state. Each section will begin by briefly describing the marketization agenda in the two states to answer the question: ‘What went on before PPPs arrived on the scene?’

Victoria, Australia: an Early Adopter of PPPs

The state of Victoria has a population of 4.5 million. As part of Australia’s federal, Westminster-style political system, it shares power with the federal government in Canberra and with other states and territories. Australia has a history of widespread and innovative state-owned enterprises (SOEs) and an interesting national record in the area of public–private debates.¹ But all levels of government have nevertheless been crucially affected by NPM over the past two decades.

At the national level, the federal government has been a keen reformer. Throughout the 1970s and 1980s Australian SOEs were gradually subjected to the disciplines and pressures of commercialization and corporatization. The 1990s saw dramatic change, though, with Australia divesting some \$96.6 billion of enterprises, ranking it in the top three OECD countries on the basis of revenues as a proportion of Gross National Product.² The proceeds were derived almost equally from the federal and state governments, and around 100 transactions were completed in sectors such as electricity and gas, transport and communication, and financial services. Significant individual sales involved the partial public float of the telecommunications company Telstra and the full privatization of the Commonwealth Bank. At the state level, Victoria was the most willing privatizer, selling off the electricity and gas sectors in a mood of disciplined economic recovery and debt reduction. The success of most sell-offs was essentially judged on this score, and states like Victoria consequently achieved an AAA credit rating.

These divestitures, however, occurred within a broader context of strong competition and regulatory reforms. A major regulatory landmark in Australia was the deregulation of banking and financial services announced by the Hawke government in the mid-1980s. The banking sector was opened up to foreign competition and stood as a clear warning to all industries that protected environments with little competition were a relic of the past. A further quantum change in attitudes towards competition occurred through the arrival of national competition policy in the 1990s. The Commonwealth and all State and Territory governments of Australia signed a National Competition Policy Agreement in 1995. This agreement³ aimed to increase the competitiveness of government businesses by removing unnecessary restrictions on competition, and placing SOEs on the same financial footing as private-sector businesses. Broadly, it aimed for ‘competitive neutrality’ between all providers within a market for services – whether public or private. It was a significant federal

1 For details of Australia’s past, see Hodge (2003).

2 See Hodge (2003), Reserve Bank (1997).

3 This followed the recommendations of the Hilmer Report; Hilmer et al. (1993).

Labour government initiative and set a cultural trend for the coming decade.⁴ In return for state governments' progressively reviewing all legislation and opening up areas of government service provision to competition, a series of 'competition payments' were made by the federal government.

Different states, as one might expect, took to these competition requirements with varying degrees of enthusiasm. Victoria pursued competition in public-sector services more aggressively than others. There, the Kennett government modelled itself on the reforms carried out in Britain by Margaret Thatcher, but went further, adopting a Compulsory Competitive Tendering policy for all local government services with a requirement that 50 per cent of turnover should be competitively tendered. The resulting upsurge in contracting arrangements reinvigorated the potential for private provision through contracts and was widely regarded as further support for privatization and marketization in addition to its extensive enterprise sales initiatives.⁵ Over one half of all Victorian local government operating expenditure is now provided by external contractors. In addition, the competitiveness of many other state level services – ranging from the legislation underpinning the provision of ambulance and emergency services to the competitive tender even of many services of the state's Auditor General – was reviewed.⁶

Against a background of innovative state-owned enterprises and government services becoming progressively more commercial and corporatized over a long period of time, the more recent arrival of privatization during the 1980s and 1990s saw a greater role for both market solutions and the private sector in delivering services in Australia. There has been an undeniable transformation from traditional administrative practices towards a more deregulated and marketized state under an NPM ethos. So far, this sea change of privatization and regulation reforms largely appears to have been both a political and an economic success, so that citizens and consumers have for the most part been content, or at least acquiescent, to such activities. The continued success and evolution of the National Electricity Market as

4 Hodge (2003) explains that SOEs therefore became largely subject to the same regulatory regime as private-sector entities, with the 'shield of the crown' being removed. The principal thrust of this agreement related to pricing oversight, business practices, competitive neutrality and issues of market access. SOEs were also included within the scope of the Trade Practices Act, with the consequence that they came under the surveillance of the Australian Competition and Consumer Commission (ACCC). Formed in late 1995, the ACCC is an independent Statutory Authority and administers the Trade Practices Act 1983 governing anti-competitive and unfair market practices, product safety/liability and third-party access to facilities of national significance. Both the powers of the ACCC and the Authority's willingness to act to ensure that actions are not taken which could substantially lessen competition, even on the international stage, are well known.

5 Under this policy, targets were set at 20 per cent, 30 per cent and 50 per cent of local government services to be subject to competitive tender by mid-1995, 1996 and 1997 respectively.

6 This particular action was widely viewed by commentators as being a politically motivated manoeuvre aimed at curtailing the state Auditor General's power. It was arguably one of the reasons for the defeat of the reformist Kennett government in 1999, and the subsequent adoption by the new Bracks government of a 'Charter for Good Governance'.

well as the overwhelming acceptance of the contracting-out philosophy at the federal and state levels are a testament to this. Moreover, the state of Victoria was arguably the most aggressive reformer, willingly accepting the marketization prescription.

Victoria was an early mover in the PPP game. Projects have been undertaken since the 1990s, in the transport infrastructure, prisons and other areas (Sands 2004; Hodge 2005), so the PPP policy framework has been in place for several years now. In a publication entitled 'Partnerships Victoria' (Department of Treasury and Finance 2000), the state government sets out its aims clearly:

The government accepts that in building a modern infrastructure for Victoria there is a role to be played by all sectors of the economy. Governments should not presume that either the public sector or the private sector can deliver projects efficiently or effectively. The government has introduced a new partnership between the public and the private sectors under which decisions are made on merit and outcomes are judged on the public benefits obtained (Department of Treasury and Finance, Victoria 2000, 3).

In the case of Victoria, the scope of what constitutes a PPP is also clear, and is based in the tradition of infrastructure focus (that is, 'economic partnerships'):

The policy applies to the provision of public infrastructure and related ancillary services. The term 'infrastructure' can extend beyond physical assets to encompass major information technology procurements. In this context, 'related ancillary services' may encompass accommodation services rising out of the infrastructure, building related services such as maintenance and some support services (Department of Treasury and Finance, Victoria 2000, 4).

The policy is also specific about not being applied to ordinary contracting-out arrangements or other traditional procurement techniques. Rather it is especially designed for, and applied to, infrastructure projects. The inspiration from the British experience under Tony Blair is explicitly acknowledged in the foreword to the text.

Projects vary in the organizational forms they take, but they all share some common features (Department of Treasury and Finance, Victoria 2000, 5):

- Outputs are specified and the government only pays when performance delivery meets the required standards
- One or more private organizations take part in the partnership
- Risk allocation is recognized and enforceable with 'consequential financial outcomes'
- Clear articulation of the government's responsibilities and accountability mechanisms
- Inclusion of mechanisms that secure monitoring throughout the contractual period

The government acknowledges the risks associated with PPPs, and risk assessment and management is an integral part of the economic type of PPP. Focusing so explicitly on risks is a new thing for many governments, but has been common practice in the private sector. The policy on 'Partnerships Victoria' identifies and specifies a number of different risk types:

- Design and construct risks – to cost, quality and time
- Commission and operating risk
- Service under-performance risk
- Industrial relations risk
- Maintenance risk
- Technology obsolescence risk
- Regulation and legal change risk
- Planning risk
- Price risk
- Taxation risk
- Residual value risk
- Demand (or volume/usage) risk

The policy in general is notable for its recognition of the various stakeholder interests that a PPP must meet, including the importance attached in principle to creating public value for citizens and the community at large. In the policy, a whole section is devoted to ways to protect the public interest in PPP projects. PPPs are assessed from a number of different perspectives, including effectiveness, accountability, affected individuals and communities, equity, public access, consumer rights, security and privacy.

Interestingly, there is no legislation underpinning the Partnerships Victoria Policy Framework specifically. This is because Ministers of the Crown in Victoria have broad powers to contract for matters falling within the normal matters of government, and no legislation enabling private-sector investment in public infrastructure is generally required. The various Acts of the past decade or so have effectively decentralized previously centralized infrastructure procurement arrangements (for example, the Financial Management Act 1994 (Victoria) and the Project Development and Construction Management Act 1994 (Vic). In addition, these Acts enable powers to be given to statutory bodies within government to control and expedite infrastructure construction projects.

Other existing Acts (such as the Health Act 1958 and the Corrections Act 1986) have also facilitated PPP projects for hospitals and prisons to date. The exception has been the more extensive provisions in Acts like the Melbourne City Link Act to facilitate the Melbourne City Link project.

Nevertheless, official policy is one thing, while implementation is quite another. There is now a growing evidence-based literature on how PPP projects have fared, although the conditions for evaluation still leave something to be desired. In Australia, it has been estimated that there are around 48 current or completed projects each costing more than \$A10 million, but the list is not comprehensive (Hodge 2005, 311). An earlier report from the Australia Council for Infrastructure Development had noted that Victoria 'was clearly the dominant jurisdiction (...) accounting for nearly one-third of the total number of projects and almost double that of the next biggest contributor in New South Wales' (quoted from Hodge 2005, 311). In Victoria, the number of PPP projects undertaken or under way to date is 23.

The projects in Victoria include Latrobe Hospital (BOO-type project), the New Prisons project (BOOT-type project), CityLink (BOOT-type project),

Victorian County Court (BOO-type project, which was the first PPP under the new Partnerships Victoria policy), Casey Hospital Project (BOOT), Spencer Street Station Redevelopment (BOOT-type project) and Eastlink, which will not be completed until 2008 (Hodge 2005, Table 16.1, 312–318).

Several of these projects are discussed elsewhere. Hodge (2005), for instance, describes the project of the Melbourne City Link in some detail. City Link was formed as a BOOT-project worth \$2.1. billion. The project linked up three major motorways in Melbourne, and more than 22 kilometres of road, tunnel and bridge works were completed. \$A1.8 billion of the costs was financed by the private consortium, which will operate the toll-way for 34 years and then return it to the state (Hodge 2005, 319).

In evaluating the project, the City Link project came out favourably in terms of managing the construction project itself and its attendant commercial risks, while the governance risks in providing this public infrastructure were more open for discussion:

Substantial risks were indeed transferred to the private sector in this project. Private contractors for instance bore almost all of the construction risks along with most of the design, construction, operating, financing and market risks based on the contract (...) Overall then, we might conclude that most of these commercial risks were indeed borne by the private sector investors and that they deserved to earn a margin. The larger concern regarding project risks seems not to be from the commercial side, which was largely well managed, but from the perspective of political governance (Hodge 2005, 320–21).

The risks for political governance were seen as elements such as: little publicly available economic or financial evaluation, the exclusion of citizens' participation in planning, the absence of any separate provision for the protection of 'consumers' and the government's endorsement of a concession period as long as 54 years if needed in order to ensure that the project was profitable for the consortium.

Another project was the Latrobe Regional Hospital in Victoria, which was a BOO-type partnership. The Latrobe Hospital was a policy failure in the sense that the government had to take over operating the hospital after two years (English 2005, 254), since the private sector organization had not managed to make a profitable business out of running it. The private-sector organization had also misjudged the government's willingness to subsidize the hospital and the government's interest in a renegotiation of the contract. In contrast to the CityLink project, long-term risks were not borne by the private sector:

The Latrobe outcome suggests that despite initial appearances to the contrary, risk was not effectively transferred to the contractor, indicating *ex-post* that VFM had not been achieved, that the financial accounting treatment of the arrangement may have been incorrect and that from a management accounting perspective, the investment strategy adopted by the state failed (English 2005, 298).

A problematic issue seen from the perspective of citizens and taxpayers is that only the Auditor General has access to all the relevant papers and files concerning the

PPP deals, and as a consequence, the public is generally dependent on the Auditor General's ability to do a good job (English 2005, 301).

Notwithstanding the mixed success of these two illustrations, PPPs continue to be implemented in a systematic manner across Victoria. And following suit, the PPP platform has also been introduced into the adjacent state of New South Wales, Australia's most populous state, albeit not without controversy (Davies and Moore 2005).

The existence of strong and independent regulatory regimes following the privatization of essential public-sector services has been an important area for governance attention around the globe. Interestingly, though, little academic or institutional attention has been devoted to this issue as far as governing PPPs is concerned. The inherent assumption is that the contract is an adequate governing mechanism. Other underlying institutional assumptions are that the state's Department of Treasury and Finance is able to balance the stewardship and policy advocacy roles it has, and that the present government itself has both the incentives and the capacity to do a deal with a private-sector consortium that is in the long-term public interest.

The limited amount of evaluation of this question has suggested that regulatory arrangements are imperfect and that a minimum requirement from government is greater clarity and transparency.

A parliamentary review of PPPs has been under way since 2003 and a report is due to be issued shortly. In addition, the Auditor General has shown interest in several of the PPP deals, carrying out financial and performance audits. And this, we might observe, is more than can be said for many other countries.

Victoria has established PPPs since the 1990s and a partnership policy has developed gradually. There has been some political controversy over individual projects, but many projects are now up and running – and more are in the pipeline. The regulatory framework surrounding PPPs is limited to the contractual terms of individual projects, with central control by the Department of Treasury and Finance and broad oversight by the state's Auditor General.

Denmark: Reluctant Attitude towards PPPs

Denmark, which has a population of 5.3 million, has embarked on marketization at a slow pace. A Conservative-led government first proposed a privatization initiative in the early 1980s as part of its 'modernization programme for the public sector' (Greve 2006). This included privatization of public enterprises, contracting out of public services and the introduction of consumer choice. However, this proposal met with fierce resistance at the outset, from the trade unions and the opposition party, the Social Democrats, which were against marketization. As the Conservative-led government was a minority coalition of four political parties and had economic recovery as its main policy objective, the prime minister, Poul Schlüter, did not have the power to press on with the privatization policy and it was essentially scrapped for most of the 1980s.

The policy was revived, however, in the early 1990s, when the government proposed privatization for several public enterprises, including a state-owned insurance company, Copenhagen Airport and the telecommunications company

Tele Denmark. It also introduced a market model for public service delivery based on contracting out and consumer choice. In the key policy document, ‘Choice of welfare’, published in 1992, marketization was singled out as the main ingredient in future efforts to modernize the public sector. However, the government was forced to stand down in early 1993 because of a scandal in the Ministry of Justice, and a new Social Democratic government took over. Unemployment was high and economic recovery was at a standstill, so the Social Democratic government decided on an active economic policy and an active labour market policy, which subsequently became famous as the Danish ‘flexicurity model’. The government’s main priority was an active labour market policy, while its policy towards the public sector was less visible. Although the Social Democrats continued the modernization efforts, the government made sure that these supported public employees and it also sought to tone down the rhetoric concerning marketization and privatization. ‘Corporatization’ became the preferred expression.

Some action was taken during the 1990s, but mostly in the direction of corporatization and privatization. During the 1990s, the Social Democratic-led government corporatized a number of public enterprises and also privatized some of them. The railway company DSB and the postal company were turned into ‘special public enterprises’, while Copenhagen Airport, Tele Denmark and the state’s IT company were privatized, among others. The government was more reluctant to pursue an active contracting out policy, but encouraged some use of private providers, although essentially the decision was left to the strong local governments themselves – most of who failed to respond. In cases of contracting out, the government was mainly concerned about employee rights, and a number of high-profile cases made the contracting-out policy controversial. These included the ‘front runner local governments’ of Græsted-Gilleleje, Søllerød and Farum. Although Farum later became involved in a scandal in 2002 (see below), it served as a showcase for NPM in Denmark for most of the 1990s. Reports were made on consumer choice, but no legislation followed, and again the responsibility was left to the autonomous local governments, who declined to do much about consumer choice. The percentage of public services contracted out to private providers remained steady at 10–12 per cent throughout the decade.

In Denmark there was much ‘talk’ about marketization from the 1980s onwards, but not very much action on the ground. Most of the action that did take place concerned a number of public enterprises that were corporatized and later privatized during the 1990s under a Social Democratic government, but contracting out of public services has not shifted public service delivery to private providers on any big scale, and consumer choice was not implemented until 2002. Instead, Denmark was largely a case of ‘a rejected prescription’ in terms of marketization (especially contracting out) in the 1980s and 1990s (Christiansen 1998).

The Ministry of Finance became interested in PPPs in the late 1990s. The Social Democratic government first introduced economic PPPs in a budget report in 1999 (Ministry of Finance, Denmark 1999), and when a new Liberal–Conservative government was elected in 2001, many people expected more PPPs to be the result. However, the Danish Ministry of Finance, under a new minister of finance, did not take up the policy as might have been expected. More public management reform

attention was given to Denmark's new 'structural reform' in the public sector, which decreased the number of primary local governments from 271 to 98 and abolished the thirteen regions in favour of five new and bigger regions. The new structure will be in place by 1 January 2007.

Denmark's Ministry of Economics and Business Affairs was given partial charge of the PPP policy from 2002, but the task was in effect delegated from the ministry to a government agency, the Danish National Agency for Enterprise and Construction. This agency has published material on PPPs, held conferences, supported reports on PPPs and produced guidance material for organizations that want to go ahead with PPPs. In 2004, the agency contracted with two consultancy firms to create a step-by-step guide to establishing a PPP. A recent initiative by the agency was the funding of a KPMG report on the potential PPP market for Denmark for the period 2005–2010 (KPMG 2005).

The agency started a network of participants working within the PPP field, including government organizations, potential private-sector contractors, researchers, consultants and other actors giving advice on PPPs. The network has also invited guests from outside (Ireland, England) to talk about PPP practices elsewhere.

The official Danish PPP policy paper, called 'Action Plan for Public–Private Partnerships', was first issued in January 2004 (Danish Government 2004). Remarkably, the policy was issued two-and-a-half years after the government was formed, a delay that is surprising, given the government's overall emphasis on bringing market actors closer to public service delivery.

The Danish 'Action Plan' consisted of suggestions on how to proceed with PPPs together with descriptions of 'pilot projects' due to be initiated in Denmark. The document lists ten initiatives, including issuing guidelines on PPPs, setting up a website on PPP policy, forming a competence unit on PPPs concerning the construction industry, providing money for pilot projects in the transport sector, publishing a description of state PPP projects and forming a contract agreement with advisers on PPP issues. How ambitious the government really is remains unclear, however. It is hard to tell from reading the policy paper whether the government really wants to pursue a PPP policy, or whether the document is just paying lip service to the issue (without anything much happening in practice).

Four ministries were involved in drafting the action plan: the Ministry of Economics and Business Affairs, the Ministry of Finance, the Ministry of the Interior and Health and the Ministry of Transport. In the foreword to the publication, the government claims that it wants to encourage the use of market forces in the provision of public services and that the government wants to use PPPs where appropriate – but only where appropriate and not simply for ideological reasons.

Key reasons given for going ahead with PPPs elsewhere around the globe seem to have been that PPPs yield innovation, efficiency and effectiveness. Governments do not seem to have made massive savings from PPPs. Apart from innovation, the main arguments for introducing PPPs in a Danish context have been whole-of-government (or holistic) ones, namely, that PPPs can use competencies in the private sector for public purposes, and that projects can be kept within the stated time and budgetary limits that governments set for infrastructure projects (Danish Government 2004, 11).

Little has happened on the policy front since the publication of the action plan for PPPs. After being re-elected in February 2005, the government published a programme for its next period in office, stating, ‘The government wants to encourage new organizational and co-operative arrangements between the private sector and the public sector. For example, all relevant central government building projects must be tested with the aim of solving all or parts of the projects in a public–private partnership’ (Danish Government 2005). The main ingredients of the policy from January 2004 remained in place, though. The key policy co-ordination role for PPPs was delegated to a committee of civil servants, chaired by an official from the Danish Ministry of Finance, although it is the minister of economics and business affairs and the minister of the interior who mention PPPs most frequently in their policy speeches.

PPP projects in Denmark can almost be counted on one hand. There are a limited number of projects in the pipeline that the government promises will use PPP methods in the near future. The projects currently planned or under way are:

- The National Archive (to be built as a DFBOT – project plan has commenced)
- A primary school in Trehøje local government (DFBOT-type project)
- A motorway in Southern Jutland
- A number of transport projects (a bridge over Roskilde fjord)

A new prison in East Denmark (no action has been taken yet) *The National Archive* was first planned as an ordinary government infrastructure project, but after a controversy arose concerning the site of the construction and building plans were delayed, the government suddenly decided that the National Archive should be a PPP candidate. Detailed investigations into the viability of making the archive project into a PPP project got under way, and in 2004 the minister of culture announced that the National Archive had been chosen as a potential PPP candidate. A report by the government’s advisor, KPMG, questioned whether a specialized project like a national archive was the best possible pilot project for the policy (KPMG 2004), but the government ignored this. In March 2006, the government stated that it would invite proposals from partners for the National Archive project, and in September 2006, it announced that four consortia were on the short-list. The final decision will be made in July 2007.

A new primary school in Trehøje, Jutland, became the first PPP project of its kind in Denmark. The idea was first conceived at the beginning of 2004, when the entrepreneurial local government of Trehøje learned that a national PPP policy was under way and that financing could be obtained for pilot projects. The Trehøje local government had a run-down primary school building it wanted to replace, so it contacted the National Agency for Enterprise and Construction and got some money (1.1 million DKK) to buy assistance from consultants. A group of local government representatives and consultants went to London to get inspiration. A project was then drawn up during the second half of 2004 in the form of a contract to finance, build and maintain a school building for 30 years. The interest from firms was overwhelming:

21 firms attended an introductory meeting, and twelve consortia were formed to bid for the contract. The local government used the competitive dialogue, introduced by the EU, in negotiations with potential firms. In late 2005, a consortium consisting of a construction entrepreneur (MT Højgaard), an operator (Dan Ejendomme) and a financial institution (the German Nord LB Bank) won the contract, and the project was able to commence. In 2006, there was still uncertainty about the tax status of the project, but the government declared that it would underwrite the financial risk that the Trehøje local government and its partners were facing.

There are other cases where the government could have chosen a PPP, but did not do so. The most famous of these are the bridges linking Funen and Zealand in Denmark ('the Great Belt Bridge'), and Denmark and Sweden (the Øresund Bridge). In both cases, the state opted for a state-owned enterprise model (SOE). The state owns 100 per cent of the enterprise (or, in the case of the Øresund bridge, split it 50/50 with the Swedish government), and the SOE is then responsible for building the bridge and borrowing the money. The SOE operates at arm's length from the state and contracts with numerous private firms, but is not officially classified as a PPP project. In the case of another huge public infrastructure investment, the Metro system in central Copenhagen, the government established a company together with the City of Copenhagen to design, finance, build and maintain the infrastructure, but this did not take the form of a PPP either. In the case of the proposed Femern belt bridge between Denmark and Germany, the Danish government once again opted for a state-owned enterprise model, and around 2001 abandoned the PPP idea. The Germans are more sceptical, however, and negotiations are still ongoing between Denmark and Germany over this.

A project to finance, build and maintain a new hospital in Aarhus, the second largest city in Denmark, was discussed during the spring of 2006. The Social Democratic regional mayor is sceptical, but others are pressing for a PPP solution (*Jyllands Posten*, 15 March 2006).

Besides these projects, there have been a number of sale-and-lease-back arrangements, classified as PPPs by a number of authors (see, for example, Savas 2000). It is estimated that there have been around 15 of these sale-and-lease-back arrangements in Danish local governments. The most well-known case was the Farum local government, which sold its school buildings and water maintenance systems to private-sector financial organizations, which then leased them back to the local government. The more spectacular experience in Farum was the financing and construction of a new sports arena (Farum Arena) and the rebuilding of the local football stadium (Farum Park), for which the Farum local government contracted a financial organization to finance and build.

In 2002, a big scandal engulfed the Farum local government. The charismatic mayor had obtained loans behind the backs of the city council and had conducted a number of shady deals involving sponsoring money for the football club (of which he was also chairman). Farum was the number one showcase local government in Denmark, both for NPM and for early PPP projects. In the end, the mayor had to resign, and he is now on trial facing several charges that, if he is proven guilty, could send him to prison. A verdict will not be reached before 2008, but for a while the

Farum experience gave PPPs a bad name in Denmark (Greve and Ejersbo 2005, chapter 8).

As noted above, regulation is a key area for governments in an age of regulatory reform, but regulation surrounding PPPs in Denmark has been strangely absent. The Competition Council is one agency that should act as regulator, but its main focus is to administer EU law, and the EU law on partnerships is not coherent, as we have seen. No special regulatory or co-ordinated measures have been taken vis-à-vis partnerships and the National Audit Office in Denmark has no written policy on how to regulate future PPP arrangements. The National Audit Office is slowly moving towards more value-for-money auditing practices, but it is still a long way from its colleagues in the British National Audit Office. The Ministry of Finance and the Ministry of Economics and Business Affairs are the chief authorities, but they are the ones that are supposed to promote the policy, and their regulatory role is unclear. In the sphere of local government the regulatory system is changing because of a current structural reform process limiting the number of local governments from 271 to 98 and the number of regions from thirteen to five. The regulation of local governments is officially the responsibility of the Ministry of the Interior, but previously some authority was delegated to the ill-equipped (in terms of manpower and prestige) regional inspectorates ('Tilsynsråd'). There is some financial and managerial audit, but it is up to each individual local government to choose its own auditor. There is also no equivalent to the National Audit Office, which in any case only deals with the central government sector and so is not really 'national' at all. A recent controversy over which tax rules apply to PPPs in Denmark, which went on throughout 2005–2006, serves to illustrate the 'no-one-in-charge' feature of the Danish regulatory system concerning PPPs.

The Danish government has gone only a little way towards actively making PPPs a policy success in Denmark. The key policy paper is the government's 'Action Plan' from early 2004. Recently, a few projects have been launched – most notably a National Archive building and a primary school building – but we are far from seeing an explosion in the number of PPPs established in Denmark.

Explaining Similarities and Differences in PPP Policy

How can we account for the differences in PPP policy? If we examine the developments in a transformative approach (Christensen and Lægveid 2001a), we can obtain some clues about the different paths the two states have taken.

This section discusses how the institutional change processes have occurred that have led to the adoption of different approaches to PPP policy as reported above. The section begins with a brief interpretation of the institutionalization processes and then proceeds to discuss the implications of those processes.

Table 9.1 Overview of PPP policy in Victoria and Denmark
Institutionalization of PPPs in Australia (Victoria)

	Victoria	Denmark
Relationship to NPM	Continuation of marketization policy from the NPM agenda (although official denial of link between PPP policy and privatization policy)	Like the marketization aspects of NPM, government is reluctant to embrace the full agenda of PPPs. Still prefers governmental solutions to some degree
Policy	Official holistic policy 'Partnerships Victoria' (2000) Much inspiration from UK, but also pursuing its own course	Official, but fragmented policy: 'Action Plan for PPPs' (2004) Looks to UK, but has shied way from holistic approach
Implementation	Many major projects under way or already completed	Few projects under way
Politics	Some controversies regarding specific projects, but overall government stability on policy	Late mover, few controversies (except for Farum) yet, though the private sector is becoming frustrated with lack of action
Institutional entrepreneur	Department of Treasury and Finance	No clear institutional entrepreneur
Regulation	Regulatory overview of individual projects in terms of contracts. Several court cases and disputes resolved to date Central bureaucratic control by DTF and parliamentary oversight by Auditor General	Regulatory reviews not even considered yet Regulation of government responsibility not clear
Overall change in institutional culture	Early emphasis on competition reform, privatization and contracting-out determined Victoria's marketization path. PPPs viewed as continuing along that path	Modernization was always a mix between modernization and marketization, with more emphasis on the former. Path continues with reticent attitude towards PPPs

The institutional change process has been steady in Victoria, and policy has represented a continuation of the marketization and strong privatization agendas that were already in place. PPPs have grown out of the previous policy interest in using market mechanisms and connecting the public sector with the private sector, and marketization still persists. Although there is some interest and reference to the UK, Victoria does not seem to have developed its policy parallel to that of the UK in chronological terms. The key incentive seems to have been economic, although the policy today is now mature and takes quite a number of other issues into consideration. In broad terms, the policy's aim is to be sustainable and not just to be a response to economic factors (the policy document mentions innovation, for example). Private-sector organizations, including consultancy companies such as PriceWaterhouseCoopers (Grimsey and Lewis 2004) and legal firms supplying legal advice to the government, have been active in shaping this policy. The policy has been institutionalized, that is, transformed into formal legislation, so that the PPP policy is now enshrined in Victorian legislation. The different parties – both

the government and the private-sector organizations – know the rules and they play by them. As experience is gained with PPPs the rules are adjusted and the implementation of more and more projects means that institutions change in practice. Legislation on PPPs can be sanctioned by a third party, the Auditor General has the power to intervene, and matters concerning PPPs can be brought before the courts. The regulatory framework – and with it the possibility of formal sanctions – are institutionalized in the Victorian case. The Department of Treasury and Finance, itself filled with privatization exponents left over from the previous radical Kennett government, has built up expertise on PPPs and remains the main organizational player and knowledge centre. Being both close to the centre of government power and at its bureaucratic head, the Treasury is able to move policy forward as an institutional entrepreneur.

Institutionalization of PPPs in Denmark

The institutional change process for PPPs in Denmark has been slow and is threatening to come to a halt. A coherent policy has not yet been made, despite the fact that a modern concept of PPPs was first mentioned by the Ministry of Finance in a 1999 report. There have been references to the British benchmark case, but as yet no serious adoption of the UK policy recommendations or any systematic evaluation of the British experience for policy learning in a Danish context. The 2004 ‘Action Plan’ is a loosely structured document that does not make for a tight policy statement. Instead, the policy has been developed in different kinds of decision-making arenas, including public–private networks in which private companies participate. Some parts of the government, notably the National Agency for Enterprise and Infrastructure, have tried to produce material about PPPs and to issue guidelines and information about PPPs. None of these have been authoritative or had sufficient legitimacy to achieve a political breakthrough, however. The usual main player, the Ministry of Finance, has kept a low profile, and has refrained from being an institutional entrepreneur, implying that it is not convinced of the economic and financial gains offered by PPPs. On the contrary, the Ministry of Finance could be characterized as an ‘institutional spoilsport’. By engaging in non-decision-making, the Ministry of Finance has succeeded so far in keeping PPPs away from the top of the government’s policy agenda. There has been little legislation or formalization of rules. The present system is a mix of European Union rules (which are not developed), competition law rules (which are not geared towards PPP either), and other seemingly peripheral, but in practice important, rules, such as the tax rules surrounding PPPs which have stalled the adoption of a wider PPP policy. There is as yet no regulatory framework in place, and it is unclear which part of the government or the juridical system has the authority to enforce rules regarding PPPs. Many local governments seem afraid to enter into PPP arrangements because of the bad reputation that PPP policy got following the Farum local government scandal. Some will argue, however, that the rules for PPPs are already in place but need to be rediscovered. Perhaps if contracting-out procedures were geared towards co-operation, then those rules could be used, or if the legislation from the early 1990s on joint public- and private-sector corporations are used, this might yield some benefits for PPPs.

Comparing Institutional Change Processes

In Australia PPP policy built on the already existing marketization agenda. Thus, in a situation where contracting out and privatization were already widespread, it was not very difficult to go one step further. The PPP policy makes it possible to continue to involve the private sector in the delivery of infrastructure and services. Formal rule-making is carried out by the legislative body, the Victorian Parliament, and the rule-takers – that is, the public and private partners themselves – actively interpret and implement the rules. The process in Australia can be seen as a layering process (Streeck and Thelen 2005, 22–4) in which the rules of PPPs are added to already existing rules concerning marketization and liberalization, which, in turn, are slowly supplanting a previous rule system for traditional public service delivery. PPP rules are not completely new, but rather have simply been introduced as additional layers on top of the existing and continuously expanding set of rules governing private actors in public service and infrastructure delivery.

The Danish institutionalization process is in some ways still in its infancy. Put another way, Denmark is showing considerable institutional resilience. The present system of public service delivery and infrastructure is not moving, and private-sector organizations are being kept at a distance. Put crudely, private organizations are still not allowed to help deliver either public services or new infrastructure through PPP arrangements.⁷ The Danish public-sector institutions are not moving in the direction of more market-based solutions. One could therefore say that the Danish case is one of quite remarkable institutional stability. Another view of the same situation might say that continuing attempts to make a policy will eventually turn the ship in the direction of more public–private partnerships. Private companies and parts of the government have not given up on this strategy, so although the Ministry of Finance is currently refusing to play along, attempts to move in this direction continue. If we adopt a wider perspective on PPPs, and include other marketization tools, such as contracting out, extended consumer choice, use of benchmarking, and so on, then PPPs could be seen as part of a ‘displacement’ process of institutional change (Streeck and Thelen 2005, 19–22). The time perspective will then be longer and the process will not be able to be evaluated for some years.

Neither country has simply adopted the British PFI model wholesale. PFI schemes were not imposed as part of an ‘exogenous shock’. Rather policies like bundled infrastructure projects and sale-and-lease-back schemes were already being introduced in Australian states such as Victoria in the 1990s. There might have been considerable inspiration from the UK, but the Australians developed their own policy on PPPs and implemented their own projects on the basis of experience they had already accumulated. So the PFI model was not a ‘global trend’ that started in the UK and was imported wholesale to Australia. Similarly, Denmark took note of the British experience, but chose its own approach to PPPs – that is, in practice doing very little to implement a PPP policy. If we distinguish between problems, policy and politics, known in the tradition of Kingdon (1995) as the ‘problem stream’, the

7 About 12 per cent of local government service delivery is contracted out, while the figure is 22 per cent for central government.

'problem' looks different for each of the states. In the UK, the original 'problem' was to fund public services with private money. Private finance was needed badly, and the original PFI scheme was designed primarily to attract private finance and thus circumvent public-sector borrowing constraints. In Australia, the prime reason for PPPs also seems to have been economic – that is, it was argued that using the PPP model would save money, create a more cost-efficient public infrastructure delivery and save the state from going into debt. In Denmark, by contrast, there was no economic argument, since the government is not short of money! Indeed there is a surplus in public finances. Currently money from oil and natural gas is flowing into the Ministry of Finance and if the state does become short of money, there are other acceptable ways to finance public services, such as letting the state borrow money. The Danish government has also discovered an efficient way to organize big infrastructure projects for its citizens: create a state-owned company and let the company manage the project and the connections to private-sector providers. This model worked in the building of bridges over Oresund and the Great Belt, and is likely to work again in the future for the Femern belt bridge connecting Denmark and Germany. The model has also worked for the Metro in Copenhagen and the new town of Ørestad, which is owned jointly by the Danish state and Copenhagen Municipality. An additional argument could be that Denmark does not have the same demand for infrastructure projects as larger geographical states such as the UK and Australia. There are limits to how many new hospitals, schools, motorways and transport infrastructure projects can be built in Denmark. In short, Denmark is contemplating a PPP policy, but does not have a high-priority problem to which the policy could be easily and readily applied.

Reasserting the Centre with PPPs?

What has been the effect of PPP policy on reasserting central government? In both states, there has been a reassertion of the state's responsibilities towards private-sector involvement. In Victoria, the state is continuing to pursue a marketization policy and thus stay in control. The Victorian government has identified the risks associated with that strategy explicitly and has a strategy for dealing with those risks. The government believes that the strategy will lead to more effective markets because the private sector has been brought in as a partner, not as an enemy. The main player is the Department of Treasury and Finance. Critics might argue that basing regulation on contracts that bind government and business together remains a fragile foundation for staying in control. Measured against the results, though, this does seem to be working, for most projects have been delivered on time and within the stipulated budgets. In Denmark, the power of the centre has been reasserted, but in a different way to Victoria. The Danish government has been less inclined to identify all the risks explicitly and there have been few governmental reports dealing directly with the question of risk except in a very general way. Instead, the government seems to have chosen a strategy of caution towards too great involvement in PPP projects. Hence, the Danish government seems to avoid risks in the short and the long run, but without any real evidence-based foundation. The Danish government can allow itself the freedom not to get too heavily involved in PPP projects because

the Danish economy is in good shape and there is no need to take (unnecessary) risks. In addition the institutional structure of the Danish state may make the government sceptical: the PPP concept is most likely to be used by local governments, and if the policy were to be adopted fully, the Danish Ministry of Finance might fear that the local government economy would be less easy to control. The main player in the Danish system is the Ministry of Finance, which is the leading ministry when it comes to public-sector reforms. The Ministry of Economics and Business Affairs does not have the political or bureaucratic muscle to push the policy higher up the government's agenda, and the other ministries concerned, mainly the Ministry of the Interior and Health and the Ministry of Transport, have not shown the will to challenge the Ministry of Finance on this point either. The regulatory structure is not in place yet, but that could be precisely because a policy recommending widespread use of PPPs is still lacking. Critics argue that the Danish market for public infrastructure is less efficient than it would be if PPPs were used more extensively. So, the PPP policy remains 'deadlocked' in the hands of the Ministry of Finance, which must endorse it fully if the policy is to become more institutionalized in Denmark. And that has not happened yet. So the centre has been reasserted, but not in a way that is favourable to PPPs.

Conclusions

PPPs are best viewed as an extension of the NPM agenda in practice. The policy brings private and public actors closer together and emphasizes that market actors have a role to play in the provision of public services. By focusing on co-operation, risk assessment, long-term contracts and innovation, PPPs are presented as an improvement on the more traditional procurement and contracting-out arrangements. The trend towards PPPs is part of a transnational trend (Sahlin-Andersson 2001), with governments, international organizations and consultancy firms discussing the idea of partnerships in the OECD countries. This chapter has considered how PPP policy was formed and implemented in the Australian state of Victoria, and in Denmark, which is part of Scandinavia and the European Union. The comparison has revealed more differences than similarities. Victoria has a clearly developed policy on PPPs ('Partnerships Victoria') and many projects are running or have been completed. Evaluation and regulation have begun and there is a clearly designated policy entrepreneur in the Department of Treasury and Finance. Denmark has a sketchy and less developed PPP policy ('Action Plan for Public-Private Partnerships'), and there are few projects running or planned. It has hardly thought about evaluation or regulation yet, and it lacks a powerful policy entrepreneur, because the Danish Ministry of Finance is reluctant to take on that role, mainly because of fear of the economic risks involved in partnerships.

Institutional conditions have shaped the path followed by each state on PPP policy. Victoria has a recent history of implementing fairly radical, market-type mechanisms for delivery of public services. Victoria may also have engaged in more economic-political rhetoric or indeed have had real economic reasons for opting for PPPs – since value-for-money is a high-profile issue there. Denmark has put greater

emphasis on the modernization of management practices than on using market-type private finance mechanisms in its public management reform tradition. Denmark's economic situation is sound, so there is considered to be less need for (risky) economic gains from PPPs. The different historical traditions regarding NPM and market-type mechanisms have sent the two states on different paths regarding the policy and implementation of PPPs. Importantly, both Victoria's support for PPPs and Denmark's reticent attitude to PPPs have resulted in a reassertion of control by the financial centre of government, largely through knowledge and approval of PPPs and associated regulatory arrangements.