

BUSINESSEUROPE



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Public-private partnerships

Adding value to Europe's public services

October 2008

innovation

faster delivery

greater choice

quality services

WHO ARE WE?

BUSINESSEUROPE's members are 40 central industrial and employers' federations from 34 countries, working together to achieve growth and competitiveness in Europe.

BUSINESSEUROPE, the Confederation of European Business, represents more than 20 million small, medium and large companies.

BUSINESSEUROPE missions:

- Actively promote the role of enterprises in Europe
- Advocate a competitive business environment
- Be a recognised social partner in the European Social Dialogue
- Be the Voice of Business for building the future of Europe

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FOREWORD



BUSINESSEUROPE wants this publication to raise awareness amongst public authorities in Europe and EU institutions of the unlocked potential of public-private partnerships.

Public-private partnerships represent a very modest proportion of today's overall public procurement activity in Europe, which in our view represents a missed opportunity for both society and the economy.

Continuous improvement should be an essential goal for Europe's public services. By working together with partners from the private sector, public authorities can harness innovative ideas to give citizens the services they want and need.

As illustrated by this publication, public-private partnerships can, if managed correctly, improve the quality of services, allow for faster delivery, provide greater choice for citizens and improve control of public spending.

In times of greater economic stringency, companies as corporate citizens would like to play a growing role in helping public authorities to tackle some of the key challenges that Europe is facing.

This is why BUSINESSEUROPE is calling for wider promotion and use of public-private partnerships as a key way to improve public service innovation in line with the Growth and Jobs Strategy.

Philippe de Buck
Secretary General
BUSINESSEUROPE

Ernest-Antoine Seillière
President
BUSINESSEUROPE



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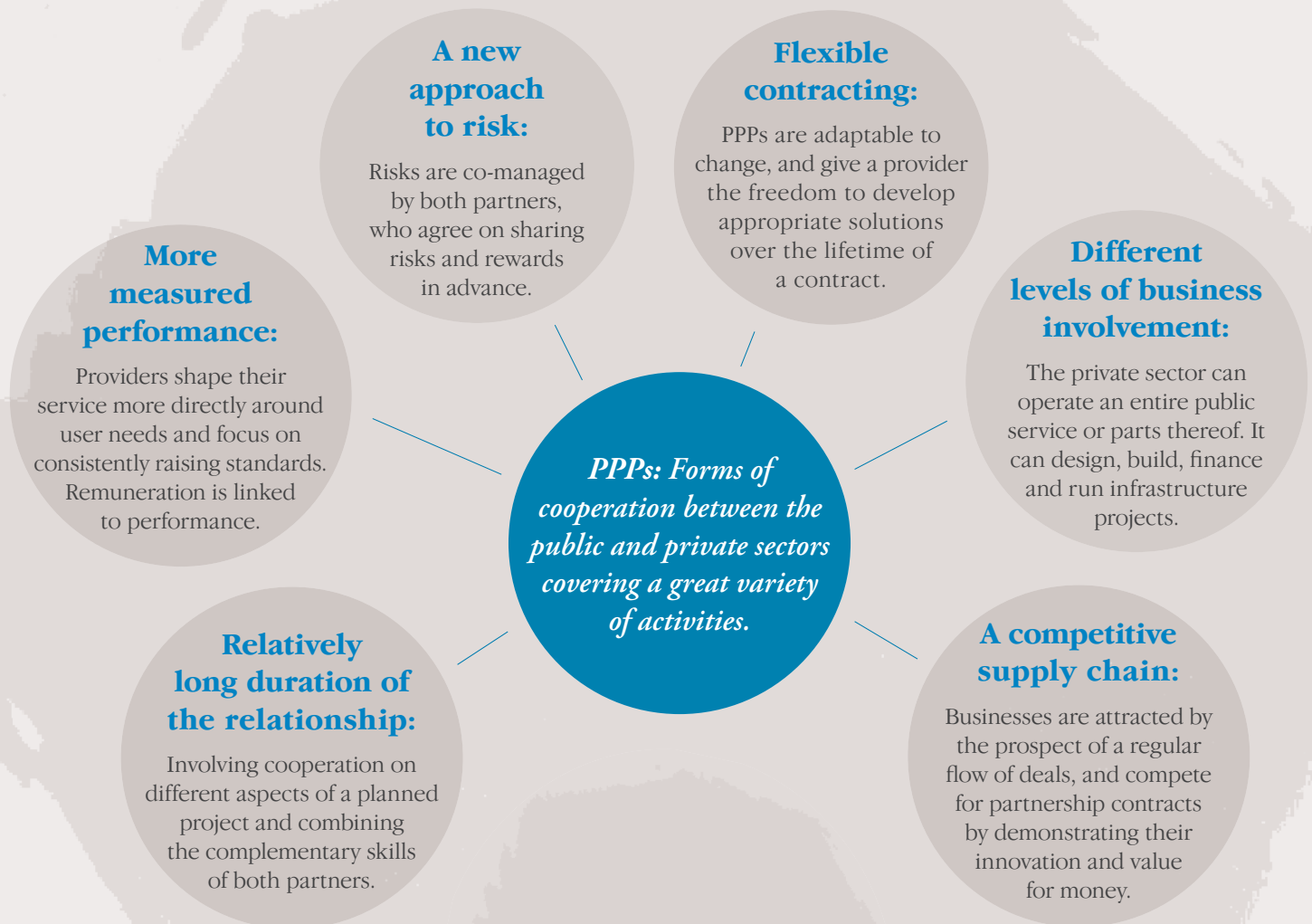
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SERVICE TRANSFORMATION: THE REAL VALUE OF PUBLIC-PRIVATE PARTNERSHIPS

Public-private partnerships (PPPs) take different forms across Europe but they tend to share a number of characteristics that contribute to bringing better services to citizens:



PUBLIC-PRIVATE PARTNERSHIPS HELP DELIVER BETTER PUBLIC SERVICES FOR CITIZENS

- **More choice** – PPPs enable personalised public services that are often more responsive to customers' expectations than those offered by the public sector. Flexible contracting allows a provider to be more creative in how it provides a service to meet specific outcomes.
- **Better value for money** – PPPs' greater efficiency comes from a well-managed procurement process, life-cycle analysis of costs and benefits and taking advantage of economies of scale, which are not always apparent through traditional procurement methods.
- **New sources of financing** – When public budgets are being squeezed, private funding offers a new way of funding for expensive infrastructure projects where the financial risk is borne primarily by business and not the public sector.
- **Better performance** – In PPPs, payments are linked to the delivery of targets and this gives providers the incentive to invest in the development of skills and training in order to shape their service more directly around user needs and to focus on raising standards.
- **A boost to innovation** – A well-designed PPP contract effectively means a provider is paid to innovate. Businesses know that they will only win – and keep – public service contracts if they can improve performance, improve efficiency and keep citizens satisfied.
- **Faster and flexible delivery** – The best types of delivery allow for incremental change, enabling the partners to operate as a single team and regularly re-assess target outcomes when circumstances change.
- **Effective support for environmental and societal goals** – The procurement of public service contracts through PPPs can be a powerful tool for environmental and societal change, if used correctly.
- **Improvement in EU competitiveness and new global economic opportunities** – Investment in infrastructures and improvements in public services stimulate economic growth. A market with strong public service providers opens up opportunities for the development of new markets outside the EU.

PUBLIC-PRIVATE PARTNERSHIPS IN EUROPE: UNLOCKING THEIR POTENTIAL

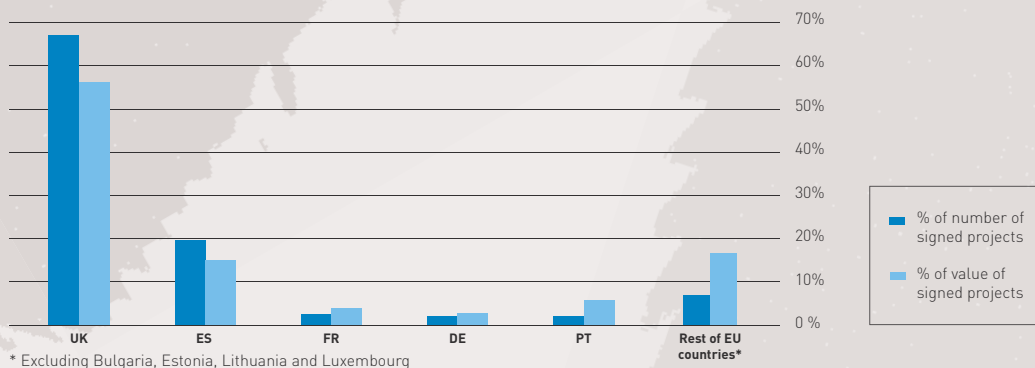
Many opportunities exist for PPPs to be developed in a wide range of areas. These include transport, utilities (electricity, gas, water, sewage and telecoms) and health and social services. PPPs have also been developed to ensure effective and market-oriented policies in the areas of research and technological development, innovation, education and regional development.

Over the past fifteen years, in the area of infrastructure investment alone, approximately one thousand PPP contracts have been signed in the EU representing a capital investment of almost 200 billion euros. Yet the importance of investment through PPPs remains small in comparison to traditional public procurement of investment projects. As illustrated by the graph below, some countries are taking more advantage of the potential that PPPs offer than others.

Chart 1

Countries' percentage shares of European PPPs 1990-2006

Source: BUSINESSEUROPE based on EIB, HM Treasury, Irish PPP Unit, ICEX and various commercial databases.



However, in all European countries, there is a serious need to overcome obstacles to the development of PPPs and their expansion into new areas, both for the management of public services and for public procurement of infrastructure.

CASE STUDIES

These are just a few illustrative examples of the numerous forms that PPPs can take:

UK



Progress2work Working Links

“Offender management should focus on sustainable employment” (CBI).

In Wrexham and on the north Wales coast the private sector has been successfully working with the Probation Service (public body) and also the voluntary sector on a programme to support those who have overcome drug addictions to enter work.

The success of this project lies in the strength of the private sector’s relationship with local stakeholders, which has led to initiatives such as the setting-up of an evening surgery, regular visits by the private sector to the local Probation Service to ensure efficient referral procedures, etc. So far over 500 former substance abusers have been supported into further education and work.

Photo © BUSINESSEUROPE

France



Public transport for Rouen

In 1991 the metropolitan area of Rouen awarded a 30-year concession contract to a private consortium to design and build a light rail transit system and to operate it together with the city buses. The private sector provided about 170,000,000 euros of financing amounting to 35% of the new investment cost. The integrated public transit system operated by Veolia Transport has stimulated a major increase in demand, which now averages some 110,000 passengers a day. Studies demonstrate that, while the greater Rouen area has experienced a healthy development, the share of private transport in mobility has decreased significantly, thanks to this partnership approach.

Photo © Agglo de Rouen

Norway



Norwegian Motorway sector E-39

“The new E39 is very important for the Community of Skaun’s future development (...) it would normally take four or five years to build a road like this but we have one in two years” (Mayor of the Community of Skaun).

The role of the private sector in designing, financing, constructing and maintaining the E-39 sector of a Norwegian motorway was fundamental to this PPP’s success, the contracting authority of which was the Norwegian Public Road Administration. The project, with an approximate value of 1.45 billion Norwegian kroner resulted in the road opening well ahead of schedule!

Photo © Skanska Norge AS

Spain



Hospital of San Sebastián de los Reyes

In Madrid, the private sector is supporting the regional government in a PPP for a hospital. The private sector is adding value to the project by helping to finance, construct, operate and maintain the hospital (*health services excluded*).

Elements that are central to the project’s success, and which the private sector is contributing to, are fast delivery of the construction and maintenance on a long-term basis. Furthermore, by investing 120,000,000 euros in the hospital, the private sector is allowing public funds to focus on other social needs.

Photo © Comunidad de Madrid

Greece



23 new schools in the regions of Eastern Macedonia and Thrace, Western Macedonia, Epirus and Ionian islands

The contracting authority of this project is the Organisation of School Buildings, a public entity supervised by the Greek Ministry of Education. The PPP contractor will be responsible for the construction and financing of the schools, along with their maintenance and facility management for a period of 25 years. Reimbursement to the private entities will depend on the quality of the maintenance services, according to pre-defined criteria.

Photo © www.osk.gr



MAKING IT HAPPEN

The European Single Market has at its heart the principle that effective competition, strong markets and consumer choice deliver the best outcomes for European citizens. This principle should equally apply to public services delivered across Europe.

BUSINESSEUROPE calls on the EU and public authorities in Europe to remove barriers that restrict partnership between the public and private sectors by committing to the following ideas:

- 1** Support wider use of public-private partnerships (PPPs) as a key way to improve public service innovation in line with the EU's Growth and Jobs Strategy.
- 2** Promote fair competition between providers from the public and private sectors to ensure that the best provider available can meet our citizens' needs.
- 3** Share best practices across countries to improve public services through PPPs and encourage new dialogue between governments and providers.
- 4** Encourage transparent and effective procurement strategies that champion environmental sustainability in every public service.
- 5** Work with Europe's business community – key user and funder of public services – to help shape a positive vision of PPPs across Europe.
- 6** Support information and training programmes for Europe's civil servants to enhance their capabilities in working with PPP contracts.



MEMBERS ARE 40 LEADING NATIONAL BUSINESS FEDERATIONS IN 34 EUROPEAN COUNTRIES

					
Austria	Belgium	Bulgaria	Croatia	Cyprus	Czech Republic
					
Denmark	Denmark	Estonia	Finland	France	Germany
					
Germany	Greece	Hungary	Iceland	Iceland	Ireland
					
Italy	Latvia	Lithuania	Luxembourg	Malta	Montenegro
					
Norway	Poland	Portugal	Portugal	Rep. of San Marino	Romania
					
Slovak Republic	Slovenia	Spain	Sweden	Switzerland	Switzerland
					
The Netherlands	Turkey	Turkey	United Kingdom		