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Global Auction of Public Assets: Public sector alternatives to the infrastructure market & Public Private Partnerships

by Dexter Whitfield (2010, Spokesman)

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For over fifteen years there has been a growing academic literature on the Private Finance Initiative (PFI) / Public Private Partnerships (PPPs)²³. Much of this literature is critical of PFI as a policy, especially within the accounting field. These criticisms have ranged from technical issues concerning drafting of contracts, the questionable enforceability of penalty

clauses to the opaqueness of the comparison process between the PFI project and the equivalent public sector alternative (known in the UK as the public sector comparator). These criticisms more often than not are explored using individual case studies or by looking at whole sectors, for example Allyson Pollock's work on the NHS. Dexter Whitfield's new book is different; it seeks to move the debate over PPPs onto a global stage looking at public infrastructure as a whole. Whitfield's ambition here is admirable. His central argument is that the PPP policy has created a global market in public infrastructure; they are more than just related but are one and the same thing and as such need to be examined together. This examination has two aspects. Firstly, Whitfield establishes both what is meant by public infrastructure and also its importance in modern society. "The public infrastructure provides basic human needs – homes, water, energy for light, heat and cooking ..." (p.13); as well as transport, hospitals, schools, leisure facilities, communication networks, buildings and networks for the criminal justice system and social and political activity. Whitfield lays out his case early on:

What is at stake is far greater than any cost difference between public and private investment, obtaining new or improved buildings and networks ... What matters is social justice, the transition to a low carbon economy, sustainable economic and social development, the transformation of public services, the regulation and control of markets, and taxation/use of public services. (p.14)

Moreover the "... quality and access to infrastructure determines community well-being, social justice, cultural life and governance" (p.13). The first part of the book sets out the evidence to support these claims developing a political economy of infrastructure.

However, it is in the second and major part of the book in which Whitfield shows how the global market in infrastructure has developed. Whitfield's work is firmly rooted in the critique of Neo-liberalism that he and others such as David Harvey have been developing for many years. Infrastructure projects have been subject to the kind of financial engineering we have seen in the banking sector in recent years. This includes financialisation, gearing, marketisation of assets and the growth of a secondary (re-sale) market. These policies are encouraged from the very top, with supra-national bodies like the OECD and the World Bank group pushing PPP policies. Whitfield quotes from the OECD's *Global Infrastructure Needs* study in 2007, where its first three recommendations are:

1. Encourage public-private partnerships (PPPs) as a means of raising additional financing for infrastructure investment and diversifying business models;
2. Encourage the investment of pension funds and other large institutional investors in infrastructure;
3. Make greater use of user charges for funding infrastructures. (pp. 69-70)

The report goes on to state why infrastructures make a good investment opportunity:

"... with their low-risk and steady-return profile, [they] are of considerable potential interest to such funds" (p.81). A great strength of Whitfield's book is the uncovering of the links between this global policy aspiration and real examples of PPP projects. In the process he exposes the myriad of connections between banks and financiers, global construction and management companies, consultants and policy advisors. Of course each of these parties needs to get paid and so PPP projects allow for profit taking at different stages, starting as would be expected at the initial stage of design, construct and operate. However, profit is also extracted when a project is refinanced and when equity is sold in the special purpose vehicle

(SPV) set up to fulfil the PPP contract. A central theme running through Whitfield's critique is the lack of transparency and democratic accountability in infrastructure PPPs such as the use of tax havens. For example Babcock & Brown Public Partnerships is registered in the UK tax haven of Guernsey, with over 50 PPP assets; 59% of them in the UK and 18% in Australia. These projects include the new Dublin courts building and 75% of the schools in Alberta, Canada. What all of this shows, is that the needs of international finance and capital accumulation are put ahead of any notions of democratic accountability or social justice.

Having set out the international context and developed a political economy of infrastructure, the middle chapters of the book work through huge amounts of detail to support the arguments developed previously. There are tables covering the size of sovereign wealth funds, global listed infrastructure funds, the extent of transactions in the secondary market and other sources of money for PPPs. This is then followed by a country-by-country analysis covering North America, Europe, Australia and the BRICS countries. This is a comprehensive resource but at times the level of detail can become overwhelming and a good approach could be to use this detail for reference purposes.

I do have one criticism, or possibly a suggestion for future work. While Whitfield outlines both what and how public sector alternatives to PPPs could be achieved, the discussion is at a rather abstracted level. This is all the more stark when you consider the detailed examples in the country by country analysis of PPP projects. Whitfield rightly points out, “we have to change the political culture from responding with ‘*Keep the...*’ campaigns to a practice of articulating demands and ideas about the future provision, finance, governance and delivery of services in alternative plans” (p.324). He also shows the flaws in the trade union response in the UK to PFI, of adopting the *twin-track strategy* of campaigning nationally against the policy but negotiating locally – in practice there was no effective national campaign and locally trade union issues such as protection of transferred staff pay and conditions dominated. This still leaves the question of how the alternatives to existing privatisation policy can be brought about. In answering this, further chapter(s) that look at case studies of popular resistance to attempted PPPs could be added. Whitfield has in passing shown that these exist in the chapter on *Abandoned and terminated projects*; for example the huge and intense uprising and demonstrations by people in Bolivia against water PPP projects. Bolivia is not an isolated case and shows a further step that the literature on PFI/PPPs needs to take before we can not only have a full understanding of the process but also a coherent response and method for achieving a public infrastructure based on democratic, open and equitable access for all.

Overall, Whitfield successfully sets out the terrain on which the debate over privatisation and PPPs should now take place. And for that reason alone is an important contribution and indeed agenda-setting contribution to a topic of central importance in any modern society.

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