

# public-private partnerships

The UK experience of roads and transport



**One-week study programme**  
1 to 5 September 2008

## About the programme

The United Kingdom Government introduced the Private Finance Initiative (PFI) in 1992 to facilitate closer co-operation between the public and private sectors and to introduce private sector skills and disciplines into the delivery and management of projects and services traditionally undertaken in the public sector. The UK Treasury's Signed Projects List contains details of more than 850 *public-private partnership/private finance initiative* (PPP/PFI) projects with a combined capital value of £56,879m. Many government departments have commissioned PPP/PFI projects. The Department for Children, Schools and Families has 115 projects with a total capital value of £4,783m and the Department of Health has 93 projects with a combined capital value of £10.011m. The Department for Transport has 51 projects with a combined capital value of £22,709m. The Scottish Executive, the Northern Ireland Assembly and the Welsh Assembly Government each have a smaller number of high value transport projects.

The Highways Agency, which is responsible for trunk (strategic) roads in England, has said that it expects to procure about 25% by value of current and new major schemes using private finance contracts. Under the Design, Build, Finance and Operate (DBFO) method of procuring road improvements and maintenance, value-for-money savings averaging 15% have been delivered. The National Audit Office report on the first four projects concluded that they were likely to deliver savings of about £100m with two of the projects delivering savings of around 20% compared with conventionally procured alternatives. The Highways Agency has recently (as at November 2007) received tenders for its largest DBFO project yet which provides for the improvement and maintenance of the M25 London orbital motorway.

Local Government is making extensive use of public-private partnerships and the private finance initiative to deliver projects and services. PFI is making it possible for local authorities to finance the renewal of roads, bridges and street

lighting systems and catch up on deferred maintenance with consequent savings in whole-life costs.

These innovations have brought significant benefits to the transport sector. Many of the risks associated with project design, delivery and operation have been transferred to the private sector with suppliers being incentivised to deliver high-quality projects on time and to budget. Payments are increasingly related to service delivery/availability and this rewards effectiveness and efficiency on the part of the supplier. The customer is, in effect, paying for a service rather than a product.

This programme explores experience with a wide range of public-private partnerships within the UK transport sector, particularly in relation to roads. It examines why these partnerships were set up, what benefits they have brought to both the government and the public, and whether aspects of the UK's emerging "good practice" can be adapted for use in other countries.

## How participants will benefit

The programme will:

- Broaden participants' knowledge of PFI and PPP schemes, their advantages and disadvantages and key conditions for their success
- Enable participants to learn at first hand from the experience of UK public and private sector policy makers, administrators and managers
- Encourage participants to review the UK experience in relation to the institutional capacity required to deliver efficient public services, using private sector providers
- Help participants to consider what might be involved in applying the UK experience to their own countries
- Enable participants to exchange experience with counterparts in other countries dealing with problems that might lend themselves to a PFI/PPP approach.

### Who is it for?

The programme is designed to meet the needs of parliamentarians, senior staff from Ministries of Finance and Transport, senior road agency staff, bankers and financiers, organisations planning to bid for PFI/PPP contracts from government, and consultants advising such organisations.

### What the programme will cover

The programme will focus on five key topics related to PFI/PPP schemes:

- The rationale behind PFI/PPP schemes, the differences between them and whether they offer value-for-money
- How to access private sector finance and the specifics of how to design and let a transport sector concession
- Outsourcing public sector management and maintenance to the private sector
- The wider policy issues affecting PFI/PPP schemes, including what bankers, debt rating agencies, and financial markets think about these schemes
- Essential conditions for the success of PFI/PPP schemes, including the regulatory framework (monitoring and applying penalties), what to do when a concession goes wrong, and building an intelligent client to manage concession projects.

The programme will include presentations and discussions, together with briefings by senior government officials, bankers, concessionaires and specialists involved in designing and implementing PFI/PPP schemes. The programme includes a site visit –

generally to a major DBFO project, or a local government road agency that has been “externalised” – to observe an example of a PFI/PPP scheme in action. Several presentations are made on-site at the offices of selected UK financial institutions to provide an opportunity to see these institutions at work. The programme also includes an extended case study exercise designed to examine how the lessons learned from the UK experience might be applied in other countries. This year’s case study deals with an unsolicited offer from a concessionaire and participants are required to: (i) evaluate and comment on the concessionaire’s offer; and (ii) prepare a Public Sector Comparator to test whether it offers value-for-money, using a specially prepared Excel spreadsheet programme, so it would be useful if participants could bring a laptop computer with them if possible. If not, PAI will arrange access to laptop computers. A key element for sharing experience and best practice will be sessions where individual participants are invited to give informal presentations on issues relating to PPP/PPI from their own country. In this context, participants may wish to bring with them any relevant reports, documents, etc.

## Programme Outline

	AM	PM
Day 1	<b>Welcome and introductions</b> <ul style="list-style-type: none"> <li>– General introduction</li> <li>– Overview of PFI/PPP schemes</li> <li>– PFI/PPP schemes</li> </ul>	<b>Principles</b> <ul style="list-style-type: none"> <li>– Designing a concession</li> <li>– Participants’ experience of PFI/PPP</li> </ul>
Day 2	<b>Accessing private finance</b> <ul style="list-style-type: none"> <li>– Value for money</li> <li>– Examples of UK PFI/PPP schemes</li> <li>– Participants’ experience of PFI/PPP continued</li> </ul>	<b>Case studies</b> <ul style="list-style-type: none"> <li>– PFI experience in the rail sector</li> <li>– M25 design, build, finance and operate (DBFO)</li> </ul>
Day 3	<b>Site visit</b> <ul style="list-style-type: none"> <li>– Visit to a major DBFO project, or to a local authority where management of the road network has been delegated to a private sector entity</li> </ul>	<b>Outsourcing management</b> <ul style="list-style-type: none"> <li>– The Highways Agency experience</li> <li>– Outsourcing management and maintenance</li> </ul>
Day 4	<b>Wider policy issues</b> <ul style="list-style-type: none"> <li>– Financial markets’ perspective</li> <li>– Banker’s perspective of PFI/PPP schemes</li> </ul>	<b>Policy issues</b> <ul style="list-style-type: none"> <li>– Case study exercise</li> </ul>
Day 5	<b>Conditions for success</b> <ul style="list-style-type: none"> <li>– Conclusion of case study</li> <li>– Creating an intelligent client</li> <li>– What to do when concessions go wrong</li> </ul>	<b>Concluding discussions</b>

We reserve the right to change the programme as necessary.

**Application form**

**Public-private partnerships**

**The UK experience of roads and transport**

**1 to 5 September 2008**

Please complete this application form and post or fax to:

Clare Walters  
Programme Manager  
Public Administration International  
10 Bayley Street  
London WC1B 3HB UK  
T +44 (0)20 7580 3590 F +44 (0)20 7580 4746 pai@public-admin.co.uk

Applications can also be completed online. Please see our website for details.  
[www.public-admin.co.uk](http://www.public-admin.co.uk)

**Please print clearly in black ink and in capital letters**

**Personal details**

First name \_\_\_\_\_

Family name \_\_\_\_\_

Title (Prof. Dr. Mr. Mrs. Ms. etc.) \_\_\_\_\_

Nationality \_\_\_\_\_

Dietary requirements \_\_\_\_\_

Disabilities \_\_\_\_\_

Have you participated in a PAI study programme before? \_\_\_\_\_

If yes, which programme(s)? \_\_\_\_\_

Date of programme(s)? \_\_\_\_\_

**Current position**

Title of post \_\_\_\_\_

Employer \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Telephone \_\_\_\_\_

Fax \_\_\_\_\_

Email \_\_\_\_\_

Brief description of your main role and responsibilities \_\_\_\_\_

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**Application form**

**Education and professional training**

Please provide brief details of your education and professional qualifications and training

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School/college/university

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Relevant professional qualifications or membership of professional bodies

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**Particular interests**

Please indicate which aspects of the programme are of most interest to you

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**Sponsoring organisation**

Who will pay your fees?

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Who will pay your other costs such as travel and living costs?

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**Value Added Tax (VAT)**

I certify that I am employed by the Government of \_\_\_\_\_  
in furtherance of its sovereign activities (please refer to note on VAT under 'Fees and other costs')

Signature

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Date

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We reserve the right to cancel the programme if there are not enough participants to make it viable. In these circumstances, fees already received will be refunded in full.

### **Location and arrival arrangements**

The study programme will be based in central London. On request, PAI can assist in finding suitable hotel accommodation and can arrange travel to and from the airport.

### **Language**

The programme will be conducted in English. Participants will be expected to have a good working knowledge of the language.

### **Fees and other costs**

The fee for this one-week study programme will be £1,825. This includes tuition, travel to and from the airport in London, travel on scheduled visits<sup>1</sup> and documentation. UK Value Added Tax (VAT) will not be charged if applicants can provide written confirmation from their Government, or its accredited representative, that they are employed by their Government in furtherance of its sovereign activities. In all other cases, VAT (currently 17.5%) will be charged in addition to the fee. Payment in full must be received by PAI no later than 1 September 2008. Cheques should be made payable to Public Administration International. Alternatively, PAI is able to invoice individuals or government agencies. Payment by bank transfer is also acceptable.

Airfares, accommodation costs, daily travel (other than on visits scheduled in the programme), meals and living expenses are not included. We suggest that approximately £120 per person per day should be allowed for a modest standard of accommodation, local travel in the UK, meals and other incidental expenses. Participants requiring a higher standard of accommodation will need to allow approximately £150 per person per day.

### **Insurance**

Participants are advised to arrange travel and health insurance cover before leaving their home country.

### **Public Administration International (PAI)**

PAI specialises in management consultancy and development services for organisations in and associated with the public sector worldwide. We provide advice and support for governments undergoing political, economic, structural and legislative change. Our extensive network of associates includes practitioners, academics and independent consultants.

### **Director of Studies**

The Director of Studies for the programme is John Mather, C.Eng, MICE. John was formerly with the UK Highways Agency and now works as an independent consultant specialising in project-specific partnering and in value and risk management. He has worked for a number of contractors and local authorities, has trained and worked as a Total Quality Management (TQM) facilitator and has managed several organisational self-assessments against the UK Business Excellence Model.

<sup>1</sup>Travel to and from the airport in London and travel on scheduled visits in the programme are provided at cost.

### How to apply

Please complete the attached Public Administration International application form and post or fax to:

Clare Walters  
Programme Manager  
Public Administration International  
10 Bayley Street  
London WC1B 3HB  
UK  
**T** +44 (0)20 7580 3590  
**F** +44 (0)20 7580 4746  
pai@public-admin.co.uk

Applications can also be completed online. Please see our website for details: [www.public-admin.co.uk](http://www.public-admin.co.uk)

If you would like to discuss the programme or to find out more about Public Administration International and our services, please contact:

Claire Cameron  
Director  
Public Administration International  
**T** +44 (0)20 7580 3590  
pai@public-admin.co.uk

We also have extensive experience of designing tailor-made programmes which can be run in-country or in the UK to meet the specific needs of groups or individuals. Please contact us if you would like further information.

### How to contact us

For further information about our study programmes and seminars, please contact: Claire Cameron or Donald McGregor  
Executive Directors

Public Administration  
International Limited

10 Bayley Street  
London WC1B 3HB  
**T** +44 (0)20 7580 3590  
**F** +44 (0)20 7580 4746  
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[www.public-admin.co.uk](http://www.public-admin.co.uk)