

**Public-Private Mixes:
An Analytical Framework and
Reference to Some Australian
Arrangements**

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Introduction

This paper focuses on the various mixes of public and private activity in public governance and the management of public affairs. It uses the term “mixes” as a means of appreciating that organizations of the state, market and civil society increasingly come together and interact in a wide variety of ways, using an equally wide variety of means. Numerous activities, functions, relationships and support systems are involved and raise an array of significant issues and concerns that need to be addressed on an ongoing basis. The issues and concerns are fundamental to the existence and maintenance of legitimate, purposeful and responsible governance and management.

The paper has three main sections comprising:

1. An analytical framework with three interrelated perspectives.
2. Notes on some Australian arrangements.
3. Some underlying issues and concerns.

Analytical Framework: Three Interrelated Perspectives

The analytical framework provided here comprises three main perspectives that are closely interrelated. The perspectives concern key aspects of public-private mixes involving the state, market and civil society. These aspects need to be studied and understood from theoretical and practical perspectives alike.

Perspective I: Production, Provision, Ownership, Regulation and Facilitation

This perspective recognizes that there have always been mixes of state, market and civil society activity in one form or another to a greater or lesser extent.

Mixes concern the means by which goods and services consumed or used in a country are produced, provided, owned, regulated and facilitated. The arrangements adopted are illustrative of different approaches to governance and management (eg, Lane, 2005, ch. 3; Ostrom and Ostrom, 1977; Thynne, 2006).

Extremes of State, Market and Society Production, Provision, etc

1. State-centred. The state is directly and actively engaged in the production and provision of a wide range of goods and services. Extensive state ownership of the means of production and provision serves to regulate and facilitate the economic and social life of a country, such that the market and civil society are severely constrained by and subordinated to the state. The most extreme case is a communist state: an all-embracing state in which the market is essentially non-existent and civil society is poorly developed and tightly controlled.

2. Market/society-centred. The market and civil society are directly and actively engaged in the production and provision of a wide range of goods and services, subject to a sparing degree of state regulation and facilitation. State ownership is minimal and thus of little significance in terms of production, provision, regulation and facilitation. The classic case is that of a liberal-conservative state: a limited, non-interventionist state with an established and largely self-regulating market and a freely formed and active civil society.

Combinations of State, Market and Society Production, Provision, etc

In most countries and systems of government, the arrangements are situated between these extremes, with varying combinations of state, market and civil society activity. There are numerous possibilities. For example:

- (a) state ownership of land and market/society production of food through the use of that land under a lease and payment-for-use agreement;
- (b) state production of electricity and market/society provision thereof, with state facilitation in the form of financial support for the market/society provider being complemented by consumer charges;
- (c) market/society provision of telecommunications on a profit basis via consumer charges, within a framework of state regulation;
- (d) state regulation of market/society production of health care equipment and pharmaceuticals, along with state facilitation by way of a subsidy to the market/society producers, users and consumers; and
- (e) state facilitation of market/society provision of selected levels of education through the direct financing of market/society providers and/or by giving users a voucher to cash in with the market/society providers.

Similar possibilities could be cited for most other goods and services.

In practice, each possibility is the result of policy decisions on the part of a government in liaison at least with those market/society producers and providers that are directly involved. The decisions are based on a number of important considerations, particularly including national interest, public necessity, available financial resources, available people resources (number, knowledge, skills and capacity), and available technology. The considerations of resources and

technology concern their availability within and beyond the state, both nationally and internationally.

Perspective II: Organizational Types and Interaction

This perspective recognizes that the various mixes identified above are based on different types of organizations and comprise various forms of organizational interaction involving the state, market and civil society (eg, Hansmann, 1996; ICNPL, 1997; Salamon and Anheier, 1997; Thynne, 2003a, 2003b; Thynne and Wettenhall, 2003; Wettenhall and Thynne, 2005).

Types of Organizations

All formally constituted organizations are established by a legal instrument and have an apex in which most, if not all, of their legal power is vested. The instrument can be:

- (a) a public law instrument in the form of a Constitution, statute, or executive order (including a declaration, decree, pronouncement or the like); or
- (b) a private law instrument in the form of an organization's own constitution (a memorandum and/or articles of association, deed of association, deed of trust, or some other recognized agreement).

The apex can comprise or be occupied by:

- (a) a minister or the equivalent (as a member of the “executive government”, with the specific titles being influenced by whether the government is a parliamentary-executive, presidential-executive, or some combination thereof);
- (b) an office occupied by someone other than a minister; or
- (c) a board (including a council, committee or the like).

On the basis of these two factors of legal instrument and apex, it is possible to identify the following broad types of organizations:

1. Ministry/department. It is established by an executive order and is headed by a minister.

2. Executive body. Like a department, it is established by an executive order. But, unlike a department, it is headed by a non-ministerial office-holder or a board.

3. Statutory body. It is established by a statute. Like an executive body, it is headed by a non-ministerial office-holder or a board.

4. Constitutional body. It is established by a Constitution. Like an executive body and a statutory body, it is headed by a non-ministerial office-holder or a board.

5. Company, trust, association/society, cooperative, mutual, trade union, etc. They are each established by their own constitution and are normally headed by a board. Their constitution is usually conditioned by and registered under a relevant statute, such as a Companies Act, Trusts Act, Societies Act, etc. The statute serves to regulate their affairs in specific ways, but it is not the immediate instrument of their establishment.

Departments through to constitutional bodies are distinctly state organizations in that they can only be established by the state or government. Companies and trusts can be state organizations, market enterprises and/or civil society bodies (NGOs), with the possibility of companies being a mixture through joint ownership on the basis of a divisible shareholding. Associations, cooperatives, etc are almost always market enterprises or NGOs, but are often established with some form of state support and are frequently used by governments on an outsourcing basis, just as companies and trusts are when constituted as market enterprises or NGOs.

All types of organizations can be involved in public-private mixes, with various combinations of state, market and civil society activity. In legal terms, where the organizations are incorporated under an Act or by certification and thus have their own legal personalities, they are able to enter into contracts, to buy and sell property, and to sue and be sued as free-standing corporate entities. This can enable them, for example, to enter into relationships that are based on ownership. Thus, in the exercise of corporate power, they can form or buy into companies, or into other companies if they themselves are constituted as companies. They can do this as significant investment strategies regarding the production or provision of most kinds of goods and services. The companies concerned can be either partly state-owned, publicly listed or in private hands, domestically and/or in other countries. The result can be an array of national and international mixes and alliances based on share ownership, production and provision.

As the different types of organizations discharge their responsibilities and become involved in mixes of one kind or another, their “publicness” and “privateness” can vary and become multi-dimensional. For example, state organizations managing public enterprises, however they might be constituted as particular types of organizations, will normally have corporate power as a private law power and, through an involvement in public-private ventures, be expected to respond to both public and private interests and needs. Market enterprises, likewise through public-private activity, can acquire a public face and orientation, with commitments to the public interest, in addition to their private commitments. This can also be the case with NGOs in similar circumstances. Accordingly, it is appropriate to consider many state organizations, market enterprises and NGOs alike as both “public” and “private” in terms of their responsibilities, commitments and obligations. It is a matter of addressing the public and private spheres within which they operate, the public and private bases of their legal power, and the public and private interests being advanced through the work they undertake.

Forms of Organizational Interaction

Three broad forms of organizational interaction can be identified, with all types of organizations as outlined above potentially being involved.

1. Separation with cooperation. This is a traditional arrangement. State organizations, market enterprises and NGOs are clearly separate and distinguishable from one another. They have different structures and modes of operation. Their interaction is largely utilitarian in the sense that, while there are degrees of cooperation, their interaction is very much geared to the meeting of their own needs, goals and objectives. Thus, for example, when state organizations need to procure goods and services from market enterprises, both types of organizations will cooperate with one another, but only to the extent necessary to reach an agreement and to have the goods and services exchanged or delivered. Similarly, state organizations and NGOs will often interact on regulatory and facilitatory bases, again with a degree of cooperation, but only such as to ensure the necessary compliance or receipt of the required registration, licenses or forms of support. In these and other cases of interaction, the cooperation is effective for specific purposes, but does not extend to an active and ongoing sharing of information, knowledge, experience and so on.

This arrangement is generally in keeping with “progressive public administration” (pre-1980s), with state organizations being “administrative entities” that have steep and well-established hierarchies, legal power largely in public law form, and a focus on processes more than on results.

From a network perspective, the organizations concerned comprise formal, vertically-arranged networks of power, responsibility and communication, coupled with informal, more laterally-oriented networks of people on the basis of natural clusters for mutual benefit and support. They are closed systems to a considerable extent, with external relationships being forged and maintained largely along the suggested utilitarian lines.

2. Separation with cooperation and collaboration. This is a reasonably recent arrangement. State organizations, market enterprises and NGOs are still separate from one another, but are less clearly distinguishable in their structures and modes of operation. There is a degree of emulation and cross-fertilization, with state organizations adopting business and social-type practices and approaches associated with market enterprises and NGOs, and market enterprises and NGOs in turn appreciating the need for greater degrees of acceptance and legitimacy not unlike that enjoyed by state organizations. At the same time, the interaction between the organizations is widespread in response to the ever-increasing need for public-private activity. This extensive interaction is assisted by the emulation and cross-fertilization of the kinds indicated. The result is that organizational cooperation becomes more collaborative and firmly oriented to the mutual and collective fulfillment of needs, goals and objectives.

This arrangement has elements of “new public management” (1980s and 90s), with state organizations being “managerial entities” that have reasonably flat structures, legal power in both public and private law form, and a focus on results more than on processes.

From a network perspective, the organizations concerned have internal networks similar to those in the first arrangement, but they are especially keen to establish and maintain various

external networks, while still retaining their own structures and identities. They are open systems, with a desire to work collaboratively with others in the pursuit of significant public purposes.

3. Separation with cooperation, collaboration and conflation. This is also a recent arrangement. It comprises many of the characteristics of the second arrangement in terms of its collaborative basis and the associated emulation and cross-fertilization. It has a particularly distinctive feature in that degrees of collaboration, emulation and cross-fertilization are heightened to the extent that conflated forms of organization exist, in addition to the types of organizations identified in the second arrangement. The conflated organizations result from the fusion of state, market and/or society needs, goals, objectives, resources, capacity and so on. The organizations genuinely straddle the public-private divide, however fixed or fluid that divide may be in various arenas.

This arrangement has elements of “enlightened public governance” (late 1990s onwards), with fused state-market-society organizations being “governable entities” that have organic, innovative and highly adaptive structures, legal power in public and private law (and lore) form, and a focus on outcomes as affected by processes and outputs.

From a network perspective, the organizations concerned have internal, laterally-oriented networks, along with an array of external networks, but there is a real sense in which they function as network facilitators and brokers above the networks of other organizations, groups and individuals. They are very open systems, committed to marshalling people and financial resources, and utilizing all relevant forms of technology, with the aim of ensuring maximum effective fulfillment of significant public purposes.

Perspective III: Activities, Functions, Relationships and Support

This perspective recognizes that production, provision, etc (as in Perspective I), along with types of organizations and forms of organizational interaction (as in Perspective II), can come together in terms of activities, functions, relationships and support. The result is, or can be, a wide variety of public-private mixes, ranging from quite simple mixes to potentially very complex mixes (eg, Flynn, 2002, chs 6 & 7; Lowndes and Skelcher, 1998; Thynne, 1995; Wettenhall, 2003; Wettenhall and Thynne, 1999).

Basic Elements of Mixes

1. Activities. Most public-private mixes concern the production or provision of goods and services. Production includes the growing, building, construction, generation or manufacturing of various goods, while provision includes the distribution, delivery or supply of goods or services. Production results in assets of one kind or another, and provision involves the use of assets in one way or another.

Assets are owned by organizations, groups or individuals. They can be used either actively or passively by their owners. Active use is when the owners themselves use the assets for other productive purposes, for the purposes of providing other goods or services, or for some other purposes (including consumption). Passive use is when the owners allow others to use the assets for various purposes under a contract or some other agreement (for example, a lease, renting or hiring agreement).

A common example involves the production and provision of electricity. A state organization may own the generation plant and transmission lines and actually produce and provide electricity by using the plant and lines. Alternatively, it might own the plant and lines, but allow a market enterprise to use the plant and lines to produce and provide electricity under a management contract.

2. Functions. Production, provision and ownership all entail the performance of specific functions. The functions broadly include conducting research, developing and giving advice, taking action, and undertaking evaluations or reviews.

For each activity, these functions can be either united or divided. For example, in the case of the construction of an electricity generation plant by a state organization or market enterprise, the organization involved might have its own research, advisory, action and review capacity. Alternatively, it might outsource one or more of these functions to other organizations, thus potentially resulting in one or more public-private mixes.

3. Relationships. Whenever functions are performed regarding activities, they usually involve the forging and maintenance of various relationships. Some of the relationships are command-based and comprise the issuing of orders and the need to respond thereto, with imposition and compliance being underlying elements. Other relationships are based on some kind of exchange involving contracts, with offer, acceptance and consideration being key features. Still others comprise some form of association supported by compacts or accords involving a degree of give and take. The command relationships are superior-subordinate, while the exchange and associational ones are coordinate.

4. Support. The activities, functions and relationships all require appropriate forms of support. The main forms are people resources, financial resources, legal power and relevant technology.

From Simple to More Complex Mixes

Activities, functions, relationships and support can be combined in numerous ways, resulting in public-private mixes that range from the quite simple and straightforward to the very complex and complicated. Some possibilities can be outlined.

1. Simple mixes. For example: market action in production, drawing on state advice, covered by a state-market contract, and supported by state and market financing. Or: state action in provision, with society reviews, covered by a state-society accord, and supported by market financing along with some voluntary staff input.

2. Not so simple mixes. For example: market and state action in production, drawing on market research and state advice, covered by a state-market contract and state orders, and supported by state and market financing. Or: state and society action in provision, drawing on state advice and society reviews, covered by a state-society accord, and supported by state and market financing.

3. More complex mixes. For example, state, market and society action in production, drawing on society and market research along with state and society advice, covered by a state-market contract and state-society accord, and supported by state, market and society financing. Or: state, society and market action in provision, drawing on society research, state advice and market reviews, covered by a state-society accord and society-market contract, and supported by state, market and society financing.

All of these mixes are rendered more or less complex by the number and types of organizations involved, as well as by the forms of organizational interaction and the kinds of assets being used.

In all cases, there is scope for specialization and thus specialist contributions to be made by the various organizations. The more specialized the organizations and their contributions, and the more complex the mixes become, the more there is a need for coordination with the aim of ensuring effective integration and the overall achievement of collective goals and objectives.

Notes on Some Australian Arrangements

Australian experience in recent years has seen the adoption of most, if not all, of the kinds of public-private mixes identified above, with numerous organizations, activities, functions, relationships and support systems being brought together for important public purposes. Significantly, all levels of government have been involved in mixes of one kind or another. The mixes have been conscious responses to a wide array of state, market and civil society needs and demands.

A brief and selective overview is provided here, drawing on material presented on relevant websites. Structures, activities and associated arrangements are addressed to give some idea of the nature and significance of various mixes.

The Council of Australian Governments and Associated Developments

The Council

The Council of Australian Governments (COAG) is Australia's most significant internal intergovernmental body. It brings together, in the one forum, key representatives from the three

tiers of government: federal, state/territory, and local. It serves as a core forum for formulating policies and supporting initiatives in ways that can result in significant mixes of public and private involvement in the country's socio-economic development.

From <http://www.coag.gov.au/about>:

“COAG comprises the Prime Minister, State Premiers, Territory Chief Ministers and the President of the Australian Local Government Association (ALGA). The then Prime Minister, Premiers and Chief Ministers agreed to establish COAG in May 1992. It first met in December 1992. The Prime Minister chairs COAG. The COAG Secretariat is located within the Department of the Prime Minister and Cabinet.

The role of COAG is to initiate, develop and monitor the implementation of policy reforms that are of national significance and which require cooperative action by Australian governments (for example, National Competition Policy, water reform, reform of Commonwealth and State/Territory roles in environmental regulation, the use of human embryos in medical research, counter-terrorism arrangements and restrictions on the availability of handguns). Issues may arise from, among other things: Ministerial Council deliberations; international treaties which affect the States and Territories; or major initiatives of one government (particularly the Australian Government) which impact on other governments or require the cooperation of other governments.

COAG meets on an as needed basis . . . [but has] meet at least once a year from 2000. Alternatively, COAG may settle particular issues out-of-session by correspondence. In recent years, a number of issues have been settled in this manner.

The outcomes of COAG meetings are contained in communiqués released at the end of each meeting. Where formal agreements are reached, these may be embodied in Intergovernmental Agreements.”

Shared Responsibility Agreements and Regional Partnership Agreements

These are state-society agreements to which COAG and Indigenous communities are parties, with the possibility of market support also being secured. They concern developments in Indigenous communities on a local and regional basis, respectively.

From <http://www.indigenous.gov.au/sra.html#sra>:

The shared responsibility agreements (SRAs) “spell out what communities, government and others will contribute to achieve long-term changes in Indigenous communities”. The regional partnership agreements (RPAs) “are similar to an SRA but with a group of communities. RPAs address government investment across a whole region, to promote coordination, eliminate overlaps or gaps, and meet regional needs and priorities.” The two sets of agreements “relate to funding that governments provide through special Indigenous and mainstream programs.”

The agreements are based on an appreciation that “governments alone cannot bring about all the changes necessary to overcome Indigenous disadvantage”, that “Indigenous people and communities must be involved in planning and building their own future”, and that “governments need to work together and with communities to achieve good outcomes”.

By the end of 2005, 121 SRAs had been negotiated with 98 communities, and 1 RPS had been negotiated with a group of communities.

National Water Initiative and National Water Commission

COAG is directly and actively interested in, among other developments, the governance, management and sustainability of the country’s water resources and systems. This interest has resulted in a National Water Initiative and National Water Commission (a statutory body). These developments provide means by which governments at the national and state/territory levels can engage communities and market investors in the collaborative adoption of effective and sustainable water management strategies and water utilization practices.

From <http://www.coag.gov.au/meetings/250604/index.htm#nwi> & <http://www.nwc.gov.au/>:

“COAG noted the continuing national imperative of increasing the productivity and efficiency of Australia's water use and to ensure the health of river and groundwater systems. This will require arrangements that provide greater certainty for investors in the water industry and for the environment, and which will allow Australia's water management regimes to adapt to future changes in water availability responsively and fairly in both rural and urban areas.

COAG agreed to a National Water Initiative (NWI) covering a range of areas in which greater compatibility and the adoption of best-practice approaches to water management nationally will bring substantial benefits . . . [with, for example, an] expansion of permanent trade in water bringing about more profitable use of water and more cost effective and flexible recovery of water to achieve environmental outcomes . . . [and] more confidence for those investing in the water industry due to more secure water access entitlements, better and more compatible registry arrangements, better monitoring, reporting and accounting of water use, and improved public access to information . . . COAG also agreed to establish a National Water Commission (NWC) . . .

The National Water Commission is responsible for helping to drive national water reform and advising the Prime Minister and State and Territory governments on water issues. The Commission is also responsible for managing the implementation of the National Water Initiative - the blueprint for national water reform - and implementing two programmes of the Australian Government Water Fund . . . [which] is a \$2 billion Australian Government programme to invest in water infrastructure, improved water management, and better practices in the stewardship of Australia’s scarce water resources. The Fund will support practical on-ground water projects that will improve Australia’s water efficiency and environmental outcomes.”

The National Public-Private Partnership Forum

The National Public Private Partnership Forum was established in 2004 and meets twice a year. It has responsibility for overseeing, from a whole of country perspective, the adoption and coordination of public-private partnership strategies and initiatives.

From <http://www.pppforum.gov.au/>:

The Forum “is designed to deliver improved project and related service outcomes through harmonizing policies and processes, and encouraging better coordination and information sharing among Australian governments.

The Forum comprises members from all States, Territories and the Federal government. Members are working together to reduce bid costs, increase the level of consistency across jurisdictions and to share lessons learned to increase skills and knowledge in the public sector.”

The Cooperative Research Centre Programme

The Cooperative Research Centre Programme is a federal government initiative which began in 1990 as a means of bringing researchers and industry groups and bodies together in direct and meaningful ways of significance to the country’s socio-economic development. Numerous cooperative research centres (CRCs) have been established.

From <https://www.crc.gov.au/Information/default.aspx>:

The underlying aim of the CRC Programme is “to improve the effectiveness of Australia's research and development effort. It links researchers with industry to focus R&D efforts on progress towards utilisation and commercialisation. The close interaction between researchers and the users of research is a key feature of the programme. Another feature is industry contribution to CRC education programmes to produce industry-ready graduates.

When all CRCs from the 2004 selection round are established, there will be 72 CRCs operating in 6 sectors: environment, agriculture, information and communications technology, mining, medical science, and technology and manufacturing . . .

Since the commencement of the CRC Programme, all parties have committed more than \$9.6 billion (cash and in-kind) to CRCs. This includes \$2.2 billion from the CRC Programme, \$2.6 billion from universities, \$1.8 billion from industry and more than \$1 billion from CSIRO [the Australian Commonwealth Scientific and Industrial Research Organisation].”

Partnerships Victoria

This is state-level policy initiative. It is an example of how public-private partnerships have been subject to systematic and comprehensive policy development in response to the need for infrastructure projects and associated activities to be effectively managed, coordinated and integrated as a matter of sound policy.

From <http://www.partnerships.vic.gov.au>:

“The *Partnerships Victoria* policy, introduced in 2000, provides the framework for a whole-of-government approach to the provision of public infrastructure and related ancillary services through public-private partnerships. 14 *Partnerships Victoria* projects have been contracted worth around \$4 billion in capital investment . . .

The policy focuses on whole-of-life costing and full consideration of project risks and optimal risk allocation between the public and private sectors. There is a clear approach to value for money assessment and the public interest is protected by a formal public interest test and the retention of ‘core’ public services.

Since 2002-03, *Partnerships Victoria* projects have accounted for approximately 10 per cent of annual public asset investment commitments. *Partnerships Victoria* aims to use the innovative skills and abilities of the private sector in a way that is most likely to deliver value for money and improved services to the community.

Partnerships Victoria is most useful for major and complex capital projects with opportunities for innovation and risk transfer.”

Melbourne City Link Project and Authority

The Melbourne City Link project, which cost in excess of US\$1 billion, was and remains one of the biggest infrastructure projects undertaken in Australia (Hodge, 2004). It was a city-level build, own, operate and transfer project of the Victorian state government in partnership with a private consortium. It was managed on behalf of the state government by a specially-formed statutory body: the Melbourne City Link Authority. Lessons learnt from the project guided and informed the development of the *Partnerships Victoria* policy.

From <http://www.vicroads.vic.gov.au/vrne/vrne5nav.nsf/childdocs/-...?open>:

“City Link is a privately-operated, electronic toll road in the heart of Australia's second city, Melbourne . . .

Fully opened in late 2000, the project joined together three of the city's freeways, creating a 22km expressway linking the major routes between Melbourne Airport, the port and industrial centres in the south-east . . .

City Link incorporates a fully electronic, cashless tolling system without toll stations or boom gates . . .

The Melbourne City Link Authority (MCLA) was a State Government agency established in 1994 to facilitate and oversee the Melbourne City Link project on behalf of the State Government.

Its designated functions included land acquisition, advice on legislation, monitoring of design and construction, risk management, public affairs and community consultation.

During its eight years of operation, the principal responsibility of the Authority was to negotiate the Government's contractual arrangements with the private developer and facilitate delivery of the project.

The Authority acquired land for City Link and the Exhibition Street Extension, monitored the State's risks, negotiated with other government agencies, participated in extensive community consultation in relation to design aspects, and contributed to the resolution of a host of construction, operations and public affairs issues.”

Qantas and IT Outsourcing

In May 2004, Qantas announced two multi-million dollar IT outsourcing initiatives: one involving Telstra (Australia's main telecommunications company) and the other involving IBM. These are organization-level mixes, with considerable implications not only for IT development and associated service costs, but also industrial relations in terms of Qantas' subsequent retrenchment of some IT staff.

Qantas and Telstra are both examples of ownership-based public-private mixes. They are publicly-listed companies which are partly-owned by the federal government.

From http://www.zdnet.com.au/news/business/soa/Qantas_launches_billion_dollars_worth_of_outsourcing/0,39023166,39147791,00.htm:

“Qantas has announced multi-year information technology outsourcing deals worth AU\$1.4 billion with Telstra and IBM Global Services.

The airline told the Australian Stock Exchange . . . it had closed an AU\$750 million, seven-year deal with Telstra that encompassed management of its voice, desktop and network services, as well as a 10-year, AU\$650 million deal with IBM that covered data centre, applications services, mainframe and cross-functional services . . .

Telstra lauded the deal . . . [acknowledging that it was] now ideally placed to grow its share of the AU\$10 billion Australian ICT services market . . .

Qantas . . . said that the airline staff affected have accepted positions with the service providers or been redeployed within the company . . .”

The Australian Wheat Board: Status and Operation

The Australian Wheat Board was originally a federal statutory body, with wheat growers represented on its board of management. In 1999, it was reconstituted as a company owned by wheat growers and, in 2001, was publicly-listed. It is an example of a public-private mix particularly in terms of being a market enterprise that operates as a state-protected monopoly in the exporting of all wheat grown in Australia. It has a number of subsidiaries, one being AWB (International) which manages its international wheat sales. Its wheat deals with Iraq under the UN's oil-for-food program are presently being investigated by a government appointed commission of inquiry. The inquiry is addressing serious questions concerning its business practices and integrity, with a spotlight also being on the government's involvement and international commercial affairs.

From http://en.wikipedia.org/wiki/AWB_Limited:

“AWB Limited is the Australian company that oversees the exports of grain, particularly wheat . . . [It is] the ‘single desk’ for the sale of Australian wheat.

The principal of the *single desk* is to prevent Australian farmers from competing with each other to export wheat. AWB represents all Australian wheat on the world market, hopefully getting a better price for all farmers than would be achieved if they were each competing to sell their own wheat to the same customers. As part of this, all wheat of a given grade is pooled, and farmers are paid in several stages according to the proportion of the pool that has been sold, rather than being paid in full only when their particular shipment of grain is sold . . .

AWB Limited is a holding company owning a number of subsidiaries. Its shareholding is divided into two classes: class A and class B. Ownership of class A shares is restricted to currently active wheat growers; they are non-transferrable, and must be ceded upon the cessation of wheat-growing operations. Class B shares are freely traded on the Australian Stock Exchange, with the proviso that no one individual or entity may control more than 10% of all class B shares. The company's constitution provides for 7 directors elected by class A shareholders, two directors elected by class B shareholders, with a further two directors to be appointed by the directors elected by class A shareholders. Thus, the class A shareholders are ensured control of the company.”

Some Underlying Issues and Concerns

Numerous issues and concerns can be raised about the nature, extent and significance of public-private mixes in their various guises. Here the focus is on but three sets of issues and concerns that are particularly important. The first set involves forms of responsibility; the second concerns risk and risk management; and the third has to do with the autonomy of reviewers. The three can vary in their applicability to all or particular kinds of mixes. They are only addressed here very briefly. They deserve

detailed consideration with regard to specific arrangements in various contexts (Hodge, 2004; Mulgan, 2003; Thynne, 2003a, 2006; Thynne and Goldring, 1987, ch. 1).

Forms of Responsibility

Responsibility can take several forms which constitute a useful framework within which public-private mixes need to be structured and assessed. Three of the forms are especially relevant. One is the idea of responsibility as it relates directly to the work being undertaken. Another is the probity element of responsibility inherent in the need for mixes to operate in accordance with appropriate ethical standards. The third recognizes that responsibility entails accountability in terms both of work and of ethical considerations. Together, these three forms of responsibility – “work-responsibility”, “probity-responsibility” and “accountability-responsibility” – give rise to several interrelated requirements for organizations involved in public-private mixes.

Work-responsibility concerns the way in which activities, functions, relationships and support systems are brought together and managed in public-private mix situations. There are at least two dimensions to this. One is that the various contributors to a mix need to be very clear as to what is expected of them and how they are to contribute most effectively to the mixed venture. The other involves the coordination and integration of the different contributions. There is usually a need for someone or some body to have overall responsibility for the mix, with the capacity to marshal the different contributions, to keep a close eye on the common goals and objectives, and ultimately to ensure that positive outputs and outcomes are achieved.

Probity-responsibility requires a thorough consideration of key ethical and related matters at the start of a public-private mix and thereafter as circumstances require. A mix will inevitably mean the existence and coming together of various organizational cultures, expectations, standards, styles, modes of operation, and so on. Thus, a key challenge for the overall coordinator, and also for all others involved, is to appreciate and bring to the fore the various rights, duties, obligations and values that are appropriate especially to the publicness of the work being undertaken through the mix.

Accountability-responsibility requires not only that relevant accountability mechanisms be put in place, but also that the mechanisms actually be invoked effectively and that the accounts rendered actually be in keeping with agreed ethical standards by being full, frank, open and in good faith. In public-private mixes, there will usually be multiple lines of accountability, with various principals and agents being involved in ways that potentially can result in accountability diffusion or paralysis. Ensuring that this is not the case is another challenge for the overall coordinator internally, as well as for those externally to whom accounts need to be provided.

The matters addressed here indicate the interactive and interdependent nature of responsibility in organizational life, with clear implications for the ways in which public-private mixes are structured and operate. They are such that contributors to mixes have

constantly to accept and comply with various work, ethical and accountability requirements, while also striving to maintain a degree of operational flexibility and freedom. Similarly, those who design the mixes and set the requirements have to be vigilant and rigorous in what they do, while at the same time appreciating the legitimate and necessary operational needs of contributors. These necessary balancing acts are essential to the efficacy of mixes. Elements of them can be set out in relevant performance agreements, but in practice they are successful only when much effort and goodwill is expended and prevails on the part of all concerned.

Risks and Risk Management

Responsibility also entails an appreciation of the risks involved in public-private mixes and of the need to manage risk effectively. Risk management is crucial as a means of identifying, monitoring and, where possible, controlling and adjusting to ensure that matters of compliance, liability and insurance are taken care of, and also that situations are conducive to active and effective contributions from the parties to a mix. This all requires that the context of risks be understood, that the most likely kinds of risk be identified, that the likely consequences of the identified risks be appreciated, and that possible methods of minimizing both the likelihood and the likely consequences of risks be studied and adopted. These are all important aspects of responsible research, assessment and management concerning various mixes.

Table 1 sets out material on risks and the responsibility for them in traditional projects involving the construction of infrastructure. The risks in such projects, as in other areas of public-private engagement, can frequently extend into the political, social and environmental domains. Where this occurs, effective political and managerial skills and capacity to respond by adjusting the approaches and systems of a mix become especially important, without which the mix could fail to achieve expected outputs and outcomes in the public interest.

Table 1

Infrastructure Risks and Risk Allocation for Traditional Construction Projects

Risk Category	Risks	Comment
Design and development	Design suitability Development problems	Risks shared in traditional construction projects

	<p>Testing problems</p> <p>Design and development variations</p> <p>Delivery of design</p>	
Construction	<p>Fixed time and cost to complete</p> <p>Delivery schedule</p> <p>Planning approvals</p> <p>Environmental issues</p> <p>Disruption to existing services</p> <p>Site preparation</p> <p>Transport of assets to site</p> <p>Design and construction variations</p> <p>Industrial disputes</p>	Risks mostly borne by private sector in traditional construction projects
Finance	<p>Securing finance</p> <p>Maintaining finance (including changes to loan conditions)</p> <p>Interest rate and tax amendments</p> <p>Tax rulings</p> <p>Price escalation in capital components</p>	Risks mostly borne by public sector in traditional construction projects
Operation	<p>Asset/service performance</p> <p>Asset/service availability</p> <p>Repairs and maintenance cost variations</p> <p>Security</p> <p>Staff training</p> <p>Change to Defence requirements</p> <p>Cost of keeping existing assets operational</p> <p>Latent defects in existing assets</p> <p>Changes in demand</p> <p>Third party revenue</p>	Risks mostly shared in traditional construction projects
Ownership	<p>Uninsurable loss or damage to the assets</p> <p>Technology change or obsolescence</p> <p>Federal and state legislation/regulation changes</p> <p>Public/third party liabilities</p> <p>Realization of the residual value of assets</p>	Risks mostly born by the public sector in traditional construction projects

Source: adapted slightly from Hodge, 2004: 161

Reviewer Autonomy

Responsible action, including the management of risks, raises the need for public-private mixes to be subject to relevant external reviews. An underlying issue in this regard is whether or not such reviews ought themselves to be part of a mix in the form of an outsourcing arrangement. In short, are reviews appropriately the subject of buyer-seller relationships between purchasing and providing organizations?

An immediate response to this question is to ask another question: will an organization buy something which it might not want to hear or receive; or, if it does, will it buy it a second time from the same provider? The answer is most likely to be negative. What this indicates is that reviews need to be arranged and conducted beyond the control of the target organizations and other key stakeholders, and on bases that safeguard the impartiality and integrity of the reviewers. This, in turn, indicates the need for bodies such as audit offices, administrative tribunals, offices of ombudsman, review commissions, and so on to be actively involved. These are bodies which, usually by statutory fiat, are appropriately distanced and protected from government and other stakeholder control with the aim of ensuring their impartiality and the public's confidence and trust in them.

As more and more public-private mixes are used for public purposes, these kinds of review bodies will need continually to be equipped and resourced to meet the review challenges posed by such mixes. The challenges can often be greater than is the case with more regular forms of public management. This is at least partly because of the different operational values, styles and modes of the various contributors to mixes and their work.

Concluding Comment

The framework presented here, along with the notes on some Australian arrangements and the brief reflections on underlying issues and concerns, constitute a condensed assessment of public-private mixes and their actual or potential importance. There is little doubt that mixes in a variety of forms will increasingly be prominent features of public management for many years to come. They need to be the subject of ongoing detailed analyses from theoretical and practical perspectives alike. This important area of governance is sure to become even more significant than it has been to-date, with issues of political, economic and social capital all being at stake.

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