Private Interest Vs Public Good: Shifting expectations in the policy and politics of education

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ABSTRACT
This paper explores the conference theme by questioning what the public interest is in the refinancing of education by the private sector, and by demonstrating how definitions of ‘public’, ‘private’ and ‘the state’ are shifting and intermingling in this context. We argue that a new language of description is emerging that is largely unquestioned, couched as it is in a rhetoric of community improvement and benefit. We see this discourse generating a new construct of ‘the common good’ and the ‘common wealth’ that is shrewd and expedient, but potentially breaking the high levels of trust between state and citizens that has been a hallmark of education in Australia, the USA and England. This redefinition of public interest is one in which the state is extending its intervention under the umbrella of an inclusive rhetoric. What we see emerging is a new (though essentially Deweyan) epistemology of policy and politics in which there is dysfunction between falsely competing expectations driving new community, professional and sectoral alignments. The result is new loci of power emerging from experience and knowledge about policy-making and educational practice, but not necessarily greater public interest.

INTRODUCTION
This paper will explore private sector participation in public sector education in the Australian context, focusing on case studies of Queensland and New South Wales, with reference to developments in other Australian states and territories, as well as internationally (see, for example, Apostolakis and Smith, 2002 for the UK; Britton, 2003 for the USA). In order to contextualise our discussion, we will provide a brief overview of the provision of education in Australia, a federation of states and territories with national and state governments having different jurisdictions over levels, sectors and ‘clients’.

Our approach to the topic contains a currently contested premise that government education policy and management is an inherent good and that private sector participation in providing a public good has the potential to undermine the democratic and economic power of the state. We view this change with foreboding, even if the expression of ‘public good’ remains largely unequal social reproduction even after 150 years of representative government. At the very least, we argue that public-private partnerships create tensions about the public interest that need to be understood and explained in order to reconstruct a view of the machinery of governance in education so as to better understand and research educational policy.

PRIVATE-PUBLIC PARTNERSHIPS
Public-private partnerships involve a range of cross-sectoral micro-economic ventures, which generally involve private sector financing, building and operating public services for targeted projects. These projects are intended to cover infra-
structural gaps and are put forward as providing secondary benefits to local communities and business.

Peters (1998) lists five main identifiable characteristics for PPPs, all of which are intended to facilitate cooperation in partnership operations including: the involvement of two or more members, one of which is public; every partner member is a principal, capable of bargaining on its own behalf; the relationship is one of continuing interactions; each partner brings some different skill or resource; and, members share responsibility for the outcomes. The expectation was that the public sector could bring to the table the organisational skills and operational knowledge of government, to match the financial ‘know-how’ and borrowing clout of the private sector.

The key difference to traditional ways of providing public sector services is that, with PPPs, the public does not own the asset. This is an important factor we will return to in our discussion. A typical PPP project is owned by a company set up to run the scheme, though often this company is a subsidiary of a larger company, and involves representation from government in decision-making and strategic operations. Pledging land and buildings as security without title is called ‘hypothecation’, which treasury usually opposes as it commits government funds to projects for years. Yet hypothecation is the basis of most PPPs (Steele, 2002). Once PPPs are completed, the original contracts are often re-negotiated; sometimes leading to windfall profits, often leading to more complexity and confusion when it comes to accountability and responsibility for defects and failure to meet milestones or deliver at all (Ball, 2006).

PPPs are a commercial activity, but undertaken within the legal framework of a government service, and compounding for-profit firms with state and non-profit organisations (based on Apostolakis and Smith, 2002, p.93). PPPs are a mixture of grant-based and incentive-based contracts, that can be applied in the case of failure. However, as Public-Private-Partnerships are contractual arrangements aimed at providing low-risk guaranteed income streams for companies using public assets, it is fair to ask whether it is profits, rather than risks, that are being transferred to the private sector. In many cases, government employees also are transferred to be re-employed “privately”, generally weakening the role of unions. Governance issues of privacy, conflict of interest and a range of other ethical questions result.

In the United Kingdom, for example, the predominant model is the Private Finance Initiative. Across England and Wales, PFI is being used in more than 400 schools, at a cost to the government of £2 billion (The Guardian, 20th July, 2002). The lessons are inconsistent and sometimes alarming. One PFI reasonably well known is the Sheffield Education PFI (http://www.ibcoz.com.au), Montanheiro (2002) praises the Sheffield project for having a strong positive influence and a positive welfare effect as it assist growth and progress. However, the Haringey PFI finance deal has been described as “disastrous”, with the north London borough’s secondary schools having to find £6 million to complete the work the FPI deal was meant to cover. In this case, as for the examples from Australia below, the deal was signed for 30 years. To these schools, this is 30 years of debt, not of new funding.

The UK examples of PPPs illustrate concerns and real life examples of a reduction of public ownership, loss of control and reduction in public benefit. It has been suggested that 15% of the UK budget is now committed for decades ahead to PFI
deals, thus limiting future government responsiveness and scope of action for education policy and strategic policy development.

RESEARCHING AND THEORISING PPPs IN EDUCATION

Given these equivocal anecdotes about PPPs, there is a need to look carefully at what is happening in this context and to work empirically and theoretically to explain current practice and shape future practical and research objectives. Hodge (2002) argues that there is some evidence that the promises of PPPs are being met, but they are being met by potentially unacceptable trade-offs such as reducing the revenue capacity of government, as noted above. While short term gains may be measurable, the long term financial capacity and policy flexibility of the state is difficult to analyse.

We are this attempting to explore this topic through documentary analysis by employing the theoretical and methodological approaches of Bourdieu’s political work. This approach enables interrogation of the relationships between individuals and the state, on consumption practices and the relationship between education and socio-economic status (Bourdieu, 1977, 1993, 2003, Bourdieu and Passeron 1977). It also allows us to investigate new languages of description via the breakdown of public-private distinctions, envisaging many ‘publics’, and reconceptualisation of the relations between citizens, the state and capital in western democracies.

What we see emerging is essentially a Deweyan epistemology of policy and politics in which there is a barely visible, but potentially limiting dysfunction between falsely competing expectations, where the new ‘politic’ of public interest is one in which the state is managing to be both shrewd and expedient in extending its intervention under the umbrella of an inclusive rhetoric. Through PPPs, the state offers limited, mostly false, policy choices, founded on a politico-economic view of budget deficits and a sharply refocussed vision about the relations of government and individual rights and obligations.

LESSONS FROM AUSTRALIA

There are nearly 10,000 schools operating in Australia, with 30% non-government, for 3.2 million students and 150,000 full-time teaching staff. Compared to Britain and North America, Australia has a high non-government enrolment arising from complex historical and contemporary factors. As in the UK, the private sector has moved from a disparate collection into a formidable political force, cementing a “system that is both meritocratic and socially exclusive” (Power et al., 2003, p.151). Current non-government enrolments are the highest since the system of state schooling was founded in the mid-nineteenth century (Potts, 1998, p.1).

In Australia there has been a shift in the history of PPPs. Projects in the early 1990s focused on toll roads, hospitals, water and power. In the mid-1990s, the focus was on prisons, sea ports and sports stadiums. In the late 1990s airports were added to this list, with defence, schools and courts attracting contracts from 2001 (Lilley, 2003). Most schemes are known as BOOT projects (Build-Own-Operate-Transfer) but in
In some cases the service provider keeps the asset in perpetuity rather than hands it back to the state (usually after 30 years). Another emphasis is on design, or lease, rather than build (Commonwealth Grants Commission Discussion paper, 2003/1, p. 3). Education, treasury (for example, Commonwealth Grants Commission, 2003) and business documents (for example, ABN-AMRO, 2003 and Lilley, 2003) form the basis of evidence for this paper.
Victoria
Victoria was the first state in Australia to follow the UK example to seek private sector help in an attempt to defray some of the financial risk of building public infrastructure, as well as outsourcing maintenance and service delivery. Several Australian state governments adopted, by largely copying, Partnerships Victoria, a policy “giving effect to a commitment to optimise the level of infrastructure spending through a responsible use of the resources of both the public and private sectors”. Value for money, and the public interest, were keynotes of the policy. [http://www.partnerships.vic.gov.au](http://www.partnerships.vic.gov.au). Yet Victoria experienced early difficulties, with criticism that the Victorian state government prefers to please ‘big finance’ rather than invest in education ([The Age, 20/10/03](http://www.theage.com.au)). For example, the bungled Spencer Street Station rebuild still went ahead, despite concern even from within the Victorian government Treasury.

New South Wales
The NSW ‘New Schools Project’ was a first in that it was a ‘bundle of projects’ with St Hilliers (building 2 high schools and a special school), Hansen Yuncken (building 6 primary schools), and Spotless (operating the services), forming the consortium ABN AMRO. It was a design, construct, maintain and manage project over a concession term of 30 years, with the nine schools then reverting to the state. In NSW, these arrangements are called a ‘privately financed project’, or PFP. During the life of the contract, the consortium will receive monthly service fee payments from the state, indexed quarterly with the consumer price index, though there are ‘abatement’ clauses allowing deductions for poor performance.

The NSW Department of Education and Training has formed a PFP unit to facilitate the processes which, interestingly, the consortium says compare favourably to the tender and selection process in the UK (ABN-AMRO, 2003) with lesser delays attributed to what it calls the political landscape. The Audit Office of the NSW Government very recently (March 2006) released a generally favourable performance audit on the first PFP contracts for the schools noted above. The terms of reference, fairly narrow in focus, were to examine whether the processes were adequate to maximise potential value for money (NSW Audit Office, 2005, p.2). In summary, the Audit opinion is that “the contracts in the NSW Privately Financed Projects were established and let in a way that greatly assisted the potential for delivering value for money as there was a clearly defined business case, good tender lists with competitive tensions, and sound performance monitoring and reporting”. However, this judgement rests on the experience of only 2 out of 30 years for the life of these contracts.

The Audit Office recommendations involve expedition of a contract administration manual, utilising the cross-agency NSW Project Management Steering Committee for continued oversight, and designing a process to review whether the projects continue to provide value for money over the next 28 years. Such a favourable response from a highly placed and rigorous government agency is a testament to the skills of the NSW education public servants and their private sector partners who worked to achieve such a laudable result. The Audit office also recommended that school planning processes should be improved to provide greater certainty of requirements when entering PFP contracts, greater disclosure of contract documents, and that the Education Department needs to work with state Treasury to design an appropriate evaluation process (p. 3). Even in this Report, the issue remains as to the long-term
advantages and opportunity costs. These issues are acute for our case study from Queensland.

**Queensland**

In Queensland, the Southbank TAFE Institute and Brisbane State High School were identified as the partners for a new education precinct ‘freeing up’ the system by outsourcing non-core services and ‘freeing up’ valuable inner-city land. In a $200 million redevelopment, the plan was for private sector involvement to enable the government to sell-off the TAFE campus and build a ‘training hotel’ in its place (*Courier Mail*, 4 September, 2002). While financial leverage had been pursued in earlier projects through bulk procurement initiatives and corporate sponsorship in the government department, ‘Education Queensland’, the Southbank Education and Training Precinct PPP proposal was a quantum policy leap and the first step into education PPPs in Queensland.

The Queensland government Cabinet and Budget Review Committee approved progression of the Southbank PPP to Expressions of Interest in December 2002. The process of assessing and short-listing of project bids continued through 2003-04. The local dynamics of the project were made interesting by the implied union between Brisbane’s selected entry State High School and the TAFE sector. Located in the inner city suburb of West End, the then Education Minister’s electorate, the school has often been a site for strained relations with the local community which is a diverse mix of working class immigrant people and increasing numbers of new residents seeking an inner-city lifestyle in new developments. People choose the location for access to ‘State High’ and higher education opportunities that lie beyond it, therefore unlikely to provide any demand for vocational education and training courses.

The argument for the Southbank PPP advanced the view that educational standards improve through the improvement of resources and the cross institutional linkages on the enlarged and improved campus precinct. There was little involvement of teachers in the educational planning in the project according to the website, now removed (http://www.southbank.tafe.net/site/EducationPrecinct/index.asp). In this website, the PPP was put forward as a financial consortium that would not impinge on educational decisions. Mahony, Menter and Hextall (2003) challenge this assertion in their careful analysis of Edu-business in England through the Threshold Assessment approach to raising standards of teaching in classrooms.

Notwithstanding these difficulties at the local level, the Southbank PPP was lent additional policy respectability by being promoted as a vehicle for reforms outlined in the Minister’s 2003 White Paper, *Education and Training Reforms for The Future*. The White Paper was a policy exercise designed to line up state services, school education, training, and relevant government services to address the problems of engagement and retention of Queensland students in post-compulsory schooling. The semiotics of a PPP that brings the training, schooling and higher education sectors together on one site was a powerful confirmation of Queensland Labor neo-liberal policy across a number of fronts. However, the drawback of these policy shifts has been brought sharply into focus by the failure of the Southbank PPP in Queensland and the about face in terms of what is achievable and what is not through this policy tool.
The Sydney "Cross City Tunnel"

One final example is provided from outside the education arena in Australia. While PPPs in education have been relatively uncontroversial, the privatisation of public roads and transport has been met with outrage, civil disobedience and highly effective boycotts of new PPP facilities. The best example from NSW is the Cross City Tunnel (CCT). The contract entered into for building this tunnel underneath Sydney required the closure and/or introduction of restrictions on access to more than 70 public roads around the tunnel entrances in Sydney, millions of changes to traffic signals (engineered by public servants), and associated infra-structural changes, to force motorists into the cross city tunnel and pay a toll to a private company (Davies, 2005). But Sydney motorists resented and resisted these measures with a passion and quickly joined in a common purpose to avoid the tunnel, even if it meant getting caught in the log-jams and the consequent delays and frustrations.

With PPPs, there is a reduced accountability via public disclosure of contract details, partly through 'commercial in confidence' rules, that would not apply as secretly if a government sub-contract applied. In the case of the CCT, this brought about massive political damage to the state government and disbelief and ridicule of the company involved, even by the Premier (head of government) of NSW, Morris Iemma (Davies, Clennell and Cubby, 2006). In the first place, the business plan for the CCT was hopelessly optimistic, with only about one third of the expected traffic eventuating (30,000 rather than 90,000 cars per day). This brought into question the level of competence of business leaders and financiers in making such high risk and poor investment decisions. As the Investment Banker in David Hare’s play about the mismanagement of the privatisation of British railways (The Permanent Way, 2003, p. 17) ponders:

I’ve said I don’t think the basic idea is a mistake, but on the other hand I would have to admit that at every episode since privatisation, something bizarre has happened. And that does make you ask, ‘Is it the structure?’. It seems not fit for the purpose.
That the taxpayer is then forced to prop up an uncommercial venture, through being forced off public roads, with public money being channelled to overseas investors well into the future, has led to such public anger that the procedures, processes and public accountability for the negotiation and award of any further PPP contracts in NSW has been radically revised. This is an open and politically embarrassing attempt to ensure the state government is never again exposed to such an unsatisfactory outcome (Korporaal and Higgins, 2005) and voter backlash.

What the CCT fiasco has revived is the view (definition) “public” is something of which to be proud, not ridiculed, just like nineteenth century communities were proud of their public buildings and services. People are once again asking why governments now use PPPs (to keep spending off the budget) when they can do the same project themselves at close to the long-term bond rate (the cost to government of borrowing funds), and/or deepening the tax base by developing the economy? Generally, Australians see economic infrastructure (postal, telecommunications, water, transport, power, airports, sanitation etc.) as existing to support social infrastructure (health, education, community services, law and order facilities etc.) as well as the general quality of life and social harmony of the nation.

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Despite a culture naturally cynical, Australians still trust governments to do these core community tasks more than leaving them to private and business interests. That is why privatisation of ‘essential services’ has been so controversial, especially when introduced under the broader strategy of ‘reforming’ the public sector by increasing competition, when what generally occurs is the formation of a private (rather than public) monopoly. While parents and students have not boycotted PPP schools, and the decisions appear to have been better founded and the outcomes more satisfactory than the Cross City Tunnel, major hospital developments (as at Port Macquarie), and the (ghost train to Sydney’s international airport, what would be the reaction is local communities new what the real and long-terms costs are for such ventures?

What would be the reaction if there was greater transparency about who owns what in PFP schools? As Raymond (2003, p. 57) argues in a discussion of private rights and public resources, using the Hegel’s dialectical theory of ownership, “mere possession is inadequate; the expression of personal free will to own the object is required”. There is a political right to ownership of public education and, as we have shown in the CCT example, reversion of that right led to civil disobedience and people power seriously challenging what had become a taken-for-granted area of public policy. Things have changed. While the future ownership of the CCT hangs in the balance (it will cost nearly a $A billion for the government to buy it), the Premier has already announced abandoning a PFP for a desalination plant for Sydney, following similar levels of opposition and community resistance.

DISCUSSION

Educational issues are distributive issues, and equity issues, in market-based policies. On the one hand, people are attracted to the prospect of new and expanded public services and facilities but, on the other hand, are not attracted to the loss of public ownership and loss of future income to the state treasury which will have to be made up another way (possibly through higher taxes or ‘user-pay’ schemes – which is another form of ‘tax’). PPPs are coming to be seen as providing low-risk guaranteed
income streams for private companies, with the profit (rather than the risk) being transferred to private pockets.

The diversity and intangibility of definitions about what PPPs are, is one of the major problems in identifying and evaluating PPPs and their success or not, and an even more serious problem when developing new activities and the contractual elements and obligations of the partners. Slippage in all these areas means that even the best examples are hampered by ambiguity, and the worst examples by inefficiency, wastage, poor management and failure. Yet future options appear to be quite limited. We are faced with the issue of the extent to which the ‘public’ is being redefined. How do we pay for the state we want, that does not function as a nineteenth century bureaucracy, but that continues to recognise the ‘common wealth’ or ‘common good’ of a nation? While PPPs offer the opportunity to ‘modernise’ government bureaucracy the active capacity of government is being discarded.

This question expresses a new policy conundrum: Without private finance it is likely that new government schools in high population growth areas would not be built until the bureaucratic processes established the need, and the need made it to the top of the treasury list, and treasury found the money. Meanwhile, non-government schools, with generous national government funding under a ‘school choice’ policy, proliferate, expand and soak up demand, making it even harder for a public education presence to be established.

It is possible to be support PPPs in education on equity grounds, and on the basis that equally distributed and funded comprehensive common schooling is a social good worth preserving. Without PPPs, new suburban areas of Sydney, Brisbane and Melbourne will have few, if any, government schools in the future. This will make redundant the issue of school choice, except as a choice between non-government options (religious or progressive). However, it is also possible to be unsympathetic in that, with their foot in the door, what the PPP companies are now seeking is the privatisation of the teaching service, curriculum, testing and examinations.

Safe and serviceable infrastructure is the backbone of a community of interests we all share in a way that allows us to live our lives independent, yet inter-dependent, of each other. This consideration of micro-economic policy and politics in Australian education and Australian society more broadly, invites a broader discussion on the reconstitution of the ‘public’ in order that the state is able to afford a common wealth. It is also redefining market forces arising from the drivers of capital and finance when it is the government that is the market-maker in the case of PPPs (Ball, 2006). While it unfashionable to expect the state to generate new infrastructure to the level required, and modernise old, without attracting “debt” (or “investing in economic, educational and social growth”). If PPPs are to be the alternative, Australia has yet to resolve the issue of private interest versus public good.

We are suggesting that, through PPPs, the social side of the ‘free’ market is being called upon to pay the price for private profit without clear broad public benefits. This is a failure of the politico-economic policy, and this failure holds significant implications for all educational sectors, especially higher education in Australia and elsewhere. For how much longer will the ‘common wealth’ of the state be the basis of a democratic and just society?
Note: This paper provides an update and further theoretical work on case studies first presented in the *Journal of Education Policy*, 20(2), March 2005 pp. 243-258, by the same authors.

The murky waters of privatised infrastructure

For years we have been told that it is important to privatise state and national enterprises and services to make them “more efficient” by exposing them to the “rigors of competition”. But again and again we are told that when roads, and now water, are “privatised”, it is only with a guarantee that there is no competition for dissolution, the penalty being hundreds of millions of dollars (“damage face book” being an important part of any financial analysis). November 23rd. This is, of course, on top of government guarantees of specified profit and subsidy to establishment. The emperor’s new clothes seem to be rather flimsy. The potential multimillion-dollar compensation payout to the owners of Sydney’s main water filtration plant is yet another contractual sleight-of-hand, government public private project manipulation. It seems the current NSW Government is fully privatised, the better.

The Field of Cultural Production, Polity Press: Cambridge


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If the Government is prepared to spend the money on a desalination plant, why not use it to recycle seawater treated efficiently? This process would provide drinking water quality, albeit at a higher than necessary cost, but it would be more environmentally friendly than treating seawater. It is doubtful that raw seawater is less contaminated than treated effluent, so using this process should suit everyone.

John Britton, July 2003

[1] 30 Million Australian Dollars

Note: The cost to the NSW Government of the New Schools Project was estimated at $30 million Australian Dollars. This figure is subject to change as the project progresses.


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