

**MANAGEMENT BY PUBLIC-PRIVATE PARTNERSHIPS:
THE AUSTRALIAN EXPERIENCE**

Julian Teicher & Quamrul Alam

*Working Paper 26/04
April 2004*

**DEPARTMENT OF MANAGEMENT
WORKING PAPER SERIES
ISSN 1327-5216**



Abstract

Governments in Australia are increasingly relying on private sector service providers to increase efficiency in public services delivery and entering into various business partnerships with those providers. This paper examines the effectiveness of public-private partnership models used in delivering public services and suggests that partnership initiatives have increased efficiency at the micro management level but have not been able to establish trust among the partners as public servants determine the performance criteria and the means of control and accountability. Community participation in policy formulation and in building trust among the clients and the providers has not been given due emphasis as an important factor for developing a sustainable partnership model. The concept of public value has not been used as a useful way of setting out public service goals. This tentative conclusion rests on an examination of two cases where partnerships have affected operating and management practices.

This paper is a work in progress. Material in the paper cannot be used without permission of the author.

MANAGEMENT BY PUBLIC-PRIVATE PARTNERSHIPS: THE AUSTRALIAN EXPERIENCE

INTRODUCTION

Public-private partnerships (PPPs) are 'a cooperative venture between the public and private sectors' built on the expertise of each partner that best meets clearly defined public needs through the appropriate allocation of risks, rewards, and responsibilities (The Canadian Council for Public-Private Partnerships, 1999). More controversially, the US National Council for Public-Private Partnerships (1999) argues that PPPs facilitate government and business awareness of the means by which the cost of providing public goods and services can be reduced. Partnerships can be seen as an effective means for implementing various public policies and develop socially inclusive communities (Osborne, 2000). These partnerships also allow public enterprises to adopt new organisational form in various sectors in order to establish different types of relationships with private sector organisations (Carroll and Steane, 2000). Since the 1980s, the reform movement in public management has been global and governments of different countries have used management reform to reshape the role of the state and their relationships with citizens (Osborne, 2000). In general this reform has embodied six core characteristics: productivity, marketisation, service orientation, decentralisation, policy to purchase services, and accountability for results (OECD, 1997:15).

Successive governments in Australia have introduced competition policy, public sector reform policies and macroeconomic reforms in order to encourage new institutional arrangements to make the economy competitive and provide better services to citizens. The social pressure to maintain an adequate level of public services and financial limits placed on public services compelled governments to look for alternative mechanisms for service provision. Moreover, there was pressure to reduce budget deficits (Keating and Holmes, 1990 and Crawford 1996). PPPs have been considered as an alternative mechanism for providing public services enabling the private sector, not-for-profit organisations and community groups to play a significant role in public policy making and implementation. This can be contrasted with a purely contractual model which was pervasive in the earlier phases of public sector reform.

This paper discusses the PPP models experimented in two sets of organisations and examines: (a) how the PPP management structure involves private service providers, not-for-profit organisations and communities in public service delivery system and (b) whether the delivery of public services through partnerships have created trust between the service providers and the recipients and added public value to make the system sustainable and accountable.

PUBLIC-PRIVATE PARTNERSHIPS IN OVERVIEW

The transformation of state-owned enterprises through corporatisation and privatisation allowed private sector service providers to become important partners in the public services delivery system. Since the 1980s, the reform movement in public management has been global (Hughes, 1994). Governments of different countries have used management reforms to reshape the structures and the role of public sector enterprises and their relationships with citizens. These developments appear to have had major impacts on the management practices and cultures of the public sector. An important impact is the emergence of new type of institutions in which government and other (private and not-for-profit) institutions collaborate, and at times compete in the operation and delivery of public services.

Reform in the public sector helped to develop PPPs. According to Gerrard (2001), PPPs are not 'privatisations' but are a business relationship and a risk sharing relationship based upon agreed performance criteria to achieve specified public policy outcomes. This partnership arrangement tends to form a contractual and flexible relationship for the delivery of a publicly funded service

(COPPP, 2001). The main ethos in PPPs appears to be that government establishes business relationships with other providers to share risks and returns and allows these partners involvement in financing, designing, constructing, owning or operating public facilities or services (Hodge, 2002). Klijn and Teisman (2000) see PPPs as involving joint decision making rather than having a principal-agent relationship. They believe that both parties should be involved in developing effective joint outputs and arrangements. Relationships between public enterprises and private service providers should be based on trust to make the system sustainable and effective to deliver quality services to the recipients.

The UK PPP model was shaped by the reforms 'centred on separating the government's functions into clear responsibility centres, identifying the costs associated with producing outputs in each centre, and holding managers strictly accountable for their results' (Kettl, 1999:13). The reform initiatives were heavily dependent on private sector approaches to production during Thatcher's privatisation drive. Later on, the customer service component was incorporated into the production function. Osborne (2000) suggests that PPPs have become a tool for providing public services and developing civil society.

In Australia, the federal government transferred many service delivery responsibilities to state and local governments in order to make public sector enterprises more responsive and outcome focused. Australia was embracing contracts 'across a whole range of activities from policy advice to service delivery' (Steane, 1999). Contracting out of services was used as a fast lane to reform government business enterprises (Alford and O'Neill, 1994). It has been argued that through partnership with private service providers the public interest may be sustained. PPPs have the potential to deliver significant benefits in terms of cost and quality (Department of Treasury and Finance, 2001).

The introduction of competition policy and microeconomic reform created an environment where the States became the principal actors because the majority of services contracted out were under their jurisdiction (O'Faircheallaigh, Wanna, and Weller, 1999:107). In particular, the introduction of competitive neutrality principles and the COAG (Committee of Australian Governments) agreement to implement the basic principles of national competition policy created an environment where a new partnership between public enterprises and private service providers is evolving as public enterprises can compete with private service providers and at times form alliance to deliver public services. This partnership provides an institutional framework for public sector organizations to become market oriented, efficient, proactive and customer focussed.

In order to ensure competition, choice and quality service outcomes a partnership model should be based on trust and accountability so that it can add value to services and increase public satisfaction. PPPs only work if there is commitment by all levels of government and the participating enterprises to a process that builds trust, respect, collaboration and an effort resulting in the achievement of common goals or targets (Enright and Roberts 2001). Trust between partners and the ability to create public value are critical factors for constructing the architecture of a sustainable PPP model.

PUBLIC-PRIVATE PARTNERSHIPS IN AUSTRALIA

The two cases examined here are not reflective of the Australian public sector but are used as a mechanism for exploring the nature of PPP by focusing on the models used by Job Network and the local councils in Victoria. Two decades of major reforms in the public sector have generated different PPP models in two phases. The managerialist phase (1993-2000) emphasised on structural reforms and introduction of market mechanism and only covered the use of the term PPP in a very limited sense. Since 2000, PPP model has emerged as a response to the weaknesses of the managerialist model and to develop a sustainable partnership model to create public value. Two different cases were selected because Job Network is a large federal Government controlled employment services program dealing with human services. Private

businesses, non-profit organisations including some church organisations and federal agencies are three strategic partners under the Job Network system. Local councils in Victoria are managed under State legislation and provide a range of human services under new local government legislation. State Government, councils, private service providers and community organisations are responsible for providing services. An analysis of the performance of these two partnership models may provide important indicators to assess whether public service delivery through not-for profit and for-profit private providers is effective under the rubric of PPP.

Job Network

The Job Network is a federal government funded program that provides employment services for unemployed people. It spends around \$750 million annually and operates in partnership through 109 public, private and not-for-profit organisations (Productivity Commission, 2002). This public-private partnership has been designed to mimic many of the features of normal markets such as competition, variable prices, choices, flexibility in service delivery and rewards for good service providers.

To develop a partnership model in the employment service area the government dissolved the Commonwealth Employment Service, replacing it with the Job Network. Centrelink refers job seeker to Job Network providers. There are three types of Job Network providers. Job Matching providers match and refer eligible job seekers to suitable vacancies offered by employers. Job Search Training providers offer a 15-day job search training to the client after assessment by Centrelink. Intensive Assistance providers provide assistance to job seekers for a period of 12 months or more. This can include job matching, training, job search assistance, work experience and post-placement support (Productivity Commission 2002). The Job Network is guided by three key principles: a strong focus on outcomes; changing the role of government to that of a purchaser rather than a provider of assistance; and the use of competition to drive greater efficiency and to provide increased choice for consumers (Productivity Commission, 2002).

The value of services is determined on the basis of operational outputs that can be gained by efficiency in inputs management. Public servants have operational goals that they wanted to achieve through private providers. The costs of services are determined by DEWR officials based on the funds allocated by the government, and the efficiency targets are also fixed by the funding agency (Productivity Commission, 2002). Arbitrary use of bureaucratically determined efficiency targets is not based on any long-term policy objectives. The focus on efficiency is narrow and it does not consider job seekers satisfaction as an important outcome.

It is important to note that the rosy economic performance of the Job Network programs is not the result of the purchaser-provider model as it has been projected by the Government. The involvement of not-for-profit organisations played a significant role in improving performance. The not-for-profit organisations have motivated volunteers, well developed infrastructure and links with communities. Their cost of service delivery is low. This has generated competition but also reduced the overall costs of employment services. In the Job Network system alone, 54 out of 109 service providers are community and not-for-profit organisations of which 5 per cent are church organisations. They have 50 per cent of market share (DEWR, 2003). Commercial organisations constitute 43 per cent of Job Network members and only 3 per cent members are local or State government organisations.

This model does not factor the costs of policy and infrastructure inputs that public sector agencies provide to this quazi-market model. An effective PPP model should be able to guarantee a system of accountability and increased participation. The Job Network model suggests that it is mainly focused on micro level management efficiency and cost savings. This model does not have a well developed monitoring and review mechanism in place (Auditor General, 2003; ANAO, 2003) to assess accountability and identify why little trust has yet been established between public agencies and the service providers. The Job Network offers choices but there is no proof that choices have discernable impact on service outcomes. Service recipients have a feeling that government has

been trying to play a minimal role and to shift the accountability to service providers (Ziguras, Dufy and Considine, 2003). This model has failed to build trust between the DEWR and the providers. Competition is not the basis for determining prices. Prices are set administratively as a result quality of services cannot be assessed (Productivity Commission, 2002). DEWR imposes too many compliance burdens on, and provides excessive direction to Job Network providers. The automated referral system randomly assigns job seekers to providers that are below the threshold capacity. This practice does not reward the strong performing providers it rather favors the poorer performing providers. This affects the flexibility of the system. Delivery of quality employment services has been hampered by inflexibility, lack of choice and diversity, the absence of competition and unclear objectives and outcomes (Productivity Commission, 2002:XXV).

Quality of services vary between providers. Providers do not always connect job seekers with employees and do not contact the job seekers to inform any feedback. Job Network providers are paid for their services according to contractual agreements. The incentive structures specified into the Job Network contracts do not help to build a rich information base or monitor the relationships from which quality employment services can be ensured (Carney and Ramia, 2002). Contractual agreements have failed some job seekers who are in most need of Job Network assistance (Productivity Commission, 2002, Finn, 2001). This suggests that Job Network does not have the capacity for sensitive service arrangements as necessary provisions can not be included in the contract documents (Considine, 2000). This partnership model requires a performance-based system which focuses on outcomes. But it is dependent on input processing because programs are complex in nature and performance eligibility criteria are bureaucratically determined. A recent study indicates that 39 per cent of recipients find the employment services unhelpful, 32 per cent find it a fair bit helpful and only 29 per cent think that they are very helpful (Ziguras, Dufy and Considine, 2003:26). The Job Network system improved the prospects for some job seekers to find jobs. About 74 per cent of the job seekers who had some contact with an Intensive Assistance provider believed that the program improved their chances of getting a job (Wallis Consulting 2001, cited in Ziguras, Dufy and Considine, 2003). The Job Network system is supposed to offer better quality and targeted assistance to unemployed people, but its operation in relation to job seekers can be described as arbitrary, unfair or excessively harsh because in many occasions it diminishes people's capacity and opportunity to continue seeking work and make them more dependent on the system (Pearce, Disney and Ridout, 2002:12).

The Job Network programs could not add significant value to the job seekers. Evaluation of program performance conducted by DEWR (2001) shows that after leaving the Job Network labour market programs, about 66 per cent of Job Matching participants, 43 per cent of Job Search Training participants and 39 per cent of those who attended Intensive Assistance were employed (PC 2002; 5.3). 'Over half of those finding employment were employed part time'.

According to the Productivity Commission (2002) the Job Network programs have modest effects on job seekers' chances of gaining employment. Services to disadvantaged groups are not adequate. Job Network is mainly a jobs-oriented program and uses 'one size fits all ages' approach. It fails to take into account the complex issues faced by different types of unemployed people living in different geographic locations (Submission 19 and Submission 15 cited in PC 2002).

Programs are poorly targeted. Project Contracting program designed to support rural industry and Self Employment Development program to assist new business initiatives by job seekers did not perform well. DEWR has excessive intrusion into the activities of Job Network providers. Some innovative public value adding programs such as special-purpose training, wage subsidies, tools and bicycles for job seekers administered by Job Network providers were squashed by DEWR. It seems that DEWR used an overly prescriptive approach that affected trust and discouraged providers to become innovative.

The employers are happy with the Job Network's performance. According to the Australian Chamber of Commerce and Industry (ACCI) those who used Job Network are happy. It is important to note that only 20 per cent of employers used the Job Network.

One way of measuring the effectiveness of Job Network is to assess how the employers use Job Network because they are the providers of jobs. The ACCI survey (2000) showed that three quarters of employers understood the Job Network arrangements 'only poorly' or 'not at all'. The Victorian Employers' Chamber of Commerce and Industry found that most of the employers had little understanding of the Job Network or the role that individual providers played (Productivity Commission, 2002:6.23). Effectiveness of this labour market program is very hard to measure because many job seekers get jobs for themselves without any assistance from Job Network

The Job Network system has created a paternalistic system as supervisory responsibilities are given to private and not-for profit service providers. This system creates pressures on service recipients to behave in a certain way as a condition of receipt of benefits (Zigurs, Dufy & Considine, 2003:4). This partnership arrangement does not create trust between providers and service recipients. The mechanism to receive complaints from job seekers was not well developed. Some job seekers were fearful of making any complaint directly to their Job Network providers (ANAO 2002:43).

The performance of providers is monitored by DEWR and rated using a sophisticated statistical model the 'star rating' model. The use of star rating model is considered as a 'sound, leading edge approach to performance measurement' (Access Economics 2002), but some qualitative performance indicators such as location, specialised needs, disadvantaged groups, age of the job seekers, participation could be used to assess the public value adding functions of this partnership model.

The present monitoring regime is quite extensive and complicated. This has bureaucratized the client-provider model of service delivery under which providers act as the appointed contractors. Catholic Welfare Australia (Submission DR70 cited in Productivity Commission, 2002) argues that compliance burdens have increased; DEWR makes unilateral decisions on contract variations and emphasises processes than outcomes. The Job Network has become a 'totally one-way partnership'. DEWR imposes changes on providers with a 'take it or leave it attitude' leaving the providers to bear the cost (Submission 20, cited in Productivity Commission, 2002:12.9). Competition, quality, trust, participation have become peripheral matters.

Best Value in Victorian Local Government

After the deregulation of the Australian economy and the implementation of microeconomic reforms, the functions of local government bodies became complex and regulatory requirements proliferated. The inefficiency of the bureaucratic model and the influence of a series of economic theories provided justification for a paradigm shift in the management of local governments (Dollery and Marshall, 1997:192). Local councils were burdened by outdated industrial and management practices. Councillors were generally described incompetent, unresponsive, tunnel-visioned, isolationist, and incapable of running local governments as business enterprises (Munro, 1997:78). Moreover, some local councils were small in size and faced financial difficulties. While being a major provider of public services, accounting for 5% of public expenditure and 10% of public employment, they lacked the ability to raise more than 4% of public revenue (Dollery and Marshall, 1997: 298). To overcome these obstacles the Victorian State Government amended the Local Government Act in 1993, 1995 and 1999. These amendments have put pressure on Victorian local councils to initiate a process of extensive reorganisation and adjustment.

The amalgamation of local councils and the introduction of Compulsory Competitive Tendering (CCT) in 1993 increased the complexities of local government functions (Alam and Pacher 2000). In 1999, the new Labor government replaced the CCT legislation with new legislation incorporating 'Best Value' principles. This legislation imposed an obligation on councils to seek best value in

providing services by whatever means available including through partnerships with private service providers (Local Government, *Best Value Principles Act 1999*). The Best Value Models were intended to achieve the following outcomes: developing a culture of continuous improvement; implementing a set of indicators to demonstrate improvement; engaging communities to contribute to the process of setting of goals; identifying the technology used to analyse and utilise information to the benefit of communities; and organisational restructuring to meet the changing needs of communities and legislative requirements. Community involvement in strategic planning and implementation of service delivery programs is an important prerequisite of this Best Value model. Under this model all Victorian municipalities must implement principles such as community responsiveness; accessibility; consultation, service provision and regular reporting to deliver value added services over a five-year period (*Local Government Act 1999*).

The Melbourne City Council adopted a Best Value program in 1998 prior to the enactment of Best Value. At that time 50% of the services delivered at the City of Melbourne had been either outsourced or corporatised and the remaining 'in-house' services were mostly in the areas of planning, administration and governance support. Under the Best Value program all services and activities were reviewed to set up performance measures and targets. The aims were to improve quality of services, response to citizens' needs and increase cost effectiveness. The Best Value program developed by the City of Melbourne involves four steps. The first is analysing services. At this stage customers and stakeholders are consulted to assess how the council should deliver its services. The City of Melbourne forms partnerships with other organisations to deliver services. In the second step, the council determines scale and style of changes required to ensure the best way to deliver a service. Strategic and organisational changes are put in place. Performance targets are determined and measures of performance are negotiated with the partners. The third step is to regularly consult the community about service standards. The council is required to provide evidence that its business units are meeting performance targets. Business units continuously review their services to improve and refine their businesses in consultation with community groups and private service providers. After the adoption of the key performance indicators, a 'reality check' is done to establish whether the business units are delivering what they are supposed to deliver. The fourth step is to sustain and improve the Best Value program. Attempts have been made to integrate Best Value principles with corporate and business planning processes. It is also applied to all service providers who deliver services on behalf of the council. This management model has made managers accountable to meet criteria and ensure customer satisfaction. There is now an added responsibility to minimise overhead cost. To operate under this partnership model the City of Melbourne has to continuously restructure its organisation in recent years under a directly elected mayor. To build an organization culture of innovation, trust and collaboration in the pursuit of improvement in all its endeavours it consults with community to ascertain the services they need, establishes cost and quality standards for each services and compare those standards against those in similar services in the public and private sector (City of Melbourne, 2003). Community forums are formed that provide an opportunity for members of the community to meet with their councillors and senior managers and discuss planning and reporting frameworks, key projects and tools to identify how Best Value can be delivered. In 2000, seven forum meetings were held to discuss policy and strategic issues that helped the council to understand the community expectations and the necessary changes required to implement the Best Value program.

In order to provide 'Best in Class' customer services the City of Melbourne has created a Frontline Business Unit which provides direct face-to-face and telephone services through the front desk and hotline. The Frontline team undertook a range of qualitative and quantitative performance measures to assess its efficiency and to continuously improve council's performance. This business unit conducts quarterly national call centre benchmarking surveys to measures its performance against call centres across Australia in local government, banking, insurance, airlines, telecommunications, utilities and government departments. Market Research organisations are employed to conduct customer satisfaction surveys and annual diagnostic assessment of the call centre operation are done by Evaluate Pty Ltd to determine the number of 'Best in Class' differentiators being demonstrated. Private consultants were used to assess the relative risk of

engaging private service providers. A Best Value Task Force was formed to review the supplier market for services similar to those delivered by in-house teams. In order to deliver Best Value service each business unit is required to formalise its service outputs, unit costs, service measures and targets in an agreement between the Director and the Service Manager which is called a Best Value agreement. This contract forms the annual work plan for each work area. In-house teams worked with private service providers, consultancy firms, market research organisations and community groups to assess service quality and determine new benchmarks (The City of Melbourne, 2003). A ten-steps consultation process has been designed to work in partnership with important stakeholders and to create an informed and active community (The City of Melbourne, Consultation Guidelines, 2003). Thus the Best Value model introduced at the City of Melbourne has changed the managerial practices, increased community involvement and created an environment of improved transparency and continuous improvement of service quality.

The Rural City of Wangaratta is a regional and rural municipality which introduced a Best Value model during the latter part of 2000. The Wangaratta Council formed process improvement teams across the organisation. Process improvement and customer enhancement requirements were also built into its Enterprise Agreement with staff. A Customer Service unit was established, desired organisational values and behaviours were piloted and core policies, processes and procedures were identified and documented. A staff induction program on quality management was introduced. The Council introduced a platform for improved service delivery outcomes, and an entrepreneurial organisational culture.

A team charter was developed to define parameters of review, the need to set recommended service levels and performance indicators that ensured that the service could be measured against the State government's Best Value principles. This charter allows the establishment of desired service levels and testing as to whether the service can be met with existing resources and/or existing service providers. This charter allows private service providers to work in partnership with the council to provide services on the basis of agreed quality criteria. This framework helps to introduce performance measurement tools for accountability purposes. There was also a need to restructure the organisation to create a new management style based on a cross-functional team approach which would ensure that the needs for a wide range of services and community requirements can be identified and used in the strategic planning process.

A good example of this approach was the conduct of a pilot review for kerbside waste management and recycling services conducted in 2001. The community and other stakeholders worked together to achieve the council's goals. They implemented a coordinated policy to reduce waste to landfill, and developed strategies to tailor services to achieve these goals. The council constituted the waste management and recycling review team comprising a cross-functional group of two council general managers, environmental engineering staff, corporate development management and staff and two community representatives. The team also consulted widely with service providers, industry representatives and focus groups. It researched best practices within the industry and data provided by Ecorecycle Victoria, the Beverage Industry Council, the Environment Protection Authority, the North East Victorian Regional Waste Management Group and other councils were used to develop a policy. The Rural City of Wangaratta Council has subsequently decided to implement a series of fundamental changes to its kerbside waste and recycling collection services. Thus the Best Value model introduced at the Rural City of Wangaratta has changed the managerial practices, increased community trust, improved transparency and accountability, and created public value.

CHALLENGES TO PUBLIC-PRIVATE PARTNERSHIPS

Service providers (other than the not-for-profit agencies) work to maximise profit, not to get best outcomes. Providers develop a service delivery system which is built into the contract and have to make a profit or balance the costs. It is not always easy to achieve the best outcomes as external providers are asked to deliver services on the basis of set criteria developed by the funding agency

such as DEWR. According to Considine (2001:183), the Job Network may find it difficult to assess the performance of providers because the DEWR shapes 'many aspects of the supply of and demand for its services'. Moreover, it influences the prices of the Job Network and regulates many of its features (Productivity Commission, 2002:11.1). It seems that the application of a purchaser-provider model to employment services is different from other service industries. It is possible to define the nature, quantity and quality of service outcomes for a service like garbage collection because the supply function is well-specified. In employment services it is difficult to describe all aspects that determine the outcomes. It may be possible to define the outcomes, but it is not easy to determine the quality of outcomes as the supply function is dependent on a complicated network of providers. Job Network focuses on efficiency in input management not on value of public services.

This is a quasi-market model as the Government determines which services will be provided as well as which job seekers will receive benefits. PPPs in the employment service sector have created new management practices with flexibility and choices. The system increases efficiency by eliminating poor performing providers and offers choices for job seekers. But recent studies (Webster 1998; Dockery and Webster 2001) indicate that the overall effect on aggregate unemployment may well be quite small. The Department of Employment and Workplace Relations (DEWR, submission 43, Productivity Commission, 2002) suggests that in terms of cost effectiveness the Job Network programs were on an average lower than the previous CES model. Service providers are accountable as they have to comply with the contract specifications but there is no indication that suggests that the system has increased public value.

The implementation of the Best Value Model at Victorian local councils indicates that Best Value model processes have been tailored to encourage fundamental changes of service delivery systems. In the two councils examined, these changes have created a new management ethos conducive to the development of a quality focussed and public value oriented management practices. Community participation in council's strategic planning process has developed a network of communication, consultation and trust. Now there is a strong emphasis that councils develop business plans, specify functional responsibilities of in-house teams and private providers and regularly consult with community groups. The councillors are required to play the steering role in order to satisfy the community interests and work as a team with the senior managers. Private sector service providers are important partners in service delivery as this client-provider relationship has attracted many profit and non-profit organisations which has influenced how services are provided. The use of performance criteria has created an environment where accountability and transparency have become important part of management practices. The Rural City of Wangaratta provides a demonstration of the potential achievements of Best Value for communities. On the other hand the City of Melbourne sees Best Value achievements as being driven through management of specific business plans tied into achieving community trust, introducing transparency in contract management and ensuring public value through competition and participation of private service providers. The Victorian Local Government Best Value Commission observed that Best Value practice has generated a cultural shift where communities take ownership and have more involvement in their local council activities (Local Government Commission 2001:4). The Commission also observed that Victorian councils appreciate the flexibility inherent in the Best Value framework which allows autonomy to local councils to respond more responsibly to create public value. The involvement of appointed senior managers, elected councillors, in-house teams and local community groups play an instrumental role to make sure that certain degree public value is ensured.

CONCLUSION

The PPP model requires well devised strategic and operational strategies in order to manage the external relational and internal implementation aspects of operations (Mitchell and Shortell, 2000). The two cases discussed in the paper suggest that at the macro level there is a need to set up a policy mindset focused on the creation of public value and establishing trust in the system in order

to sustain high quality public services. Public enterprises are required to devise consultation mechanisms with a clear long-term vision (Keast and Brown, 2002). This partnership model also requires governments to devise and monitor accountability mechanisms to ensure that public benefits are improved. In the case of the Job Network no system has been developed to evaluate its performance in comparison with other public sector agencies. It sets its own benchmark based on costs and efficiency not on public value. At the operational level Job Network has gained micro input management efficiency. It is important to note that non-government service providers, especially the not-for-profit organisations and community groups, are not acknowledged as important partners to determine quality, outcomes and public value. There needs a balance between guidance and control. In case of Job Network it is more control than guidance. The PPP model used in the Job Network requires an institutional and operational system to create trust and establish transparency in the system. Though according to DEWR (2003), the Job Network has been successful in tailoring assistance to meet individual needs but public funds are not properly linked to establish trust, create public value and make the system transparent and accountable.

The Best Value partnership model in the Victorian local councils appears to have been relatively successful in developing working relationships between council members, appointed managers, private service providers and local communities. The Best Value model is more efficient, transparent, accountable, and extent of community participation is increasing. The working relationships between partners are based on trust. Though it is difficult to measure how the Best Value model has increased public value.

The above discussion suggests that PPPs can facilitate the awareness of government and the private and not-for-profit sectors of the means by which the cost of providing public goods and services can be reduced while improving client focus. Institutional changes have been introduced to involve community groups, private sector service providers and other stakeholders in strategic public policy making and implementation. Local government bodies and the Job Network have embraced PPPs in order to improve service quality and increase efficiency and introduced a new system of governance.

REFERENCES

- Access Economics (2002), Independent Review of the Job Network Provider Star Ratings Method, Final Report for the Steering Committee of the Review, March.
- Alam, Q. and Pacher, J. (2000), 'Impact of Compulsory Competitive Tendering on the Structure and Performance of Local Government Systems in the State of Victoria', *Public Administration and Development*, Vol. 20, pp 359-371.
- Alford, J and O'Neill, D (Eds) (1994) *The Contract State: Public Management under the Kennett Government*, The Centre for Applied Social Research Geelong: Deakin University Press.
- Auditor General (2000), *Management of the Job Network Contracts*. Australian National Audit Office, Audit Report 44 (1999-2000).
- Australian National Audit Office (ANAO) (2002), *Management of the Provision of Information to Job Seekers*, Department of Employment and Work Place Relations, Audit Report No. 39.
- Canadian Council for Public-Private Partnerships (1999) *About the Council for Public-Private Partnerships* Online at <http://Home.InfoRamp.Net/-partner/aboutppp.html>.
- Crawford, P. (1996) *The Serious Business of Governing*, Marrickville, NSW, Hale and Iremonger.
- Carney, T and Ramia, R. (2002) *From Rights to Management*, Kulwer Law International, The Hague.
- Carroll, P. and Steane, P. (2000) 'Public-private Partnerships: sectoral perspectives', in S.P. Osborne (ed) *Public-Private Partnerships: Theory and practice in international perspective*, London and New York, Routledge pp.36-57.
- Considine, M (2001) *Enterprising states: public management of welfare-to-work*, Cambridge University Press, Cambridge.
- Considine, M (2000), 'Selling the Unemployed: The performance of bureaucracies, firms, and non-profits in the new Australian "market", for unemployment assistance', *Social Policy and Administration*, Vol. 34 , pp 274-295.
- COPPP (2001), *Building Better Partnerships*, Final report from the Commission on Public-Private Partnerships, June, London.
- Department of Employment and Workplace Relations (2003) *Employment Services Contract 2003-2005: Job Network Conditional Offers of Business, Aggregate Analysis*, Job Network, March.
- Department of Employment and Workplace Relations (2002), *Employment Services, An Active Participation Model*, Discussion Paper, Canberra, May.
- Department of Employment and Workplace Relations (2001) *Job Network Evaluation Stage Two: Progress Report*, EPPB Report 2/2001, Evaluation and Program Performance Branch, Labour Market Policy Group.
- Department of Treasury and Finance (2001), *Partnerships Victoria: Practitioners Guide*, March, Melbourne.
- Dockery, A.M. and Webster, E (2001) *Long-Term Unemployment and Work Deprived Individuals: Issues and Policies*, Discussion paper no. 445, Centre for Economic Policy Research, Australian National University.
- Dollery, B and Marshall, N. eds (1997) *Australian Local Government: Reform and Renewal*, MacMillan: Australia, Melbourne.
- Enright, M.J. and Roberts, B.H. (2001), 'Regional Clustering in Australia', *Australian Journal of Management*, vol. 2, August 2001: 65-85.
- Finn, D (2001), *A New Deal for Unemployed Australian?* Sydney: Dusseldorp Skills Forum, December www.dsf.org.au/papers/dl/NewDeal_DFinn_Dec2001.pdf.

- Gerrard, M.B. (2001), 'Public-private Partnerships: What are Public Private Partnerships, and How Do They Differ from Privatization?' *Finance and Development*, September, 38 (3), pp. 441-451.
- Hodge, G.A (2002), 'Who Steers the State When Governments Sign Public-Private Partnerships?', paper presented at the 6th International Research Symposium on Public Management, Edinburgh, April.
- Hughes, O. E. (1994) *Public Management and Administration*, New York, St.Martin's Press.
- Keast, R. and Brown, K. (2002) 'The Government Service Delivery Project: A case study of the push and pull of central government coordination', *Public Management Review*, vol. 4, no. 4, December, pp 439-460.
- Keating, M., and Holmes, M. (1990) 'Australia's budgetary and financial management reforms', *Governance*, No. 3, pp. 168-85.
- Kettl, D. F. (1999) *The Global Public Management Revolution: A report on the transformation of governance*, Brookings Institution Press, Washington DC.
- Klijn, E.H. and Teisman, G.R. (2000), *Governing public-private partnerships: Analysing and managing the processes and institutional characteristics of public-private partnerships*, in S.P. Osborne, ed. *Public-Private Partnerships: Theory and Practice in international perspective*, London, Routledge.Kooiman, J. ed (1993), *Modern Governance*, London, Sage.
- Government of Victoria (1999), *Local Government (Best Value Principles) Act 1999*, Victorian Government Publication, Melbourne.
- Local Government Best Value Commission (2001) *Annual Report*, Department of Infrastructure, Melbourne.
- Mitchell, S. and Shortell, S. (2000) 'The Governance and Management of Effective Community Health Partnership: A Typology of Research', *The Milbank Quarterly*, Vol. 78, no. 2, pp.241-289.
- Munro, A (1997) 'Local and Regional Governance: Back to Basics', *Australian Journal of Public Administration* vol.56, no.3, pp. 77-83.
- O'Faircheallaigh, C., Wanna, J. and Weller (1999) *Public Sector Management in Australia: New Challenges*, New Directions (2nd edition), Centre for Australian Public Sector Management, Brisbane.
- OECD (1997) *Managing across levels of Government*, Paris OECD, Paris.
- Osborne, S.F. (2000) 'Understanding the Public-Private Partnerships in International Perspective: globally convergent or nationally divergent phenomenon?', in S.P. Osborne (ed) *Public – Private Partnerships: Theory and practice in international perspective*, London and New York, Routledge.
- Pearce, D., Disney, J. & Ridout, H. (2002) *Making it Work: The Report of the Independent Review of Breaches and Penalties in the Social Security System*, Independent Review of Breaches and Penalties in the Social Security System, Sydney.
- Productivity Commission (2002), *Independent Review of the Job Network*, Report 21, June , AGPS, Canberra..
- Steane, P (1999) "Public Sector Development in Australia and New Zealand", *Public Management: An international journal of research and theory*, vol 1, no 1, 133 – 142.
- The City of Melbourne (2003), *Best Value Program 2003-2005*, www.melbourne.vic.gov.au/index accessed on 8/9/03.
- Webster, E. (1998) *Microeconomic evaluations of Australian labour market programs*, *Australian Economic Review*, vol. 31, no. 2, pp. 189-201.

Zigurus, S., Dufy, G. and Considine, M (2003) Much Obligated: Disadvantaged job seekers' experiences of the mutual obligation regime, St Vincent de Paul Society and the Centre for Public Policy, Melbourne University.