

Interdisziplinäres Institut für Raumordnung
Stadt- und Regionalentwicklung
Wirtschaftsuniversität Wien

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1990

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**The Origins and Recent Experience of
Public-Private Partnership in Local Economic
Development in the United Kingdom**

IIR-Discussion 43

1990

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**Publikation gefördert durch das
Bundesministerium für Wissenschaft
und Forschung, Wien**

1. Introduction

This paper considers a number of important issues which are of central concern to those who seek to discover the operational characteristics of public-private partnerships for local economic development. It also seeks to provide some initial judgements on the success or failure of public-private partnerships.

The first part of the paper examines the origin and growth of local economic development. It attempts to identify the main distinguishing features of local economic development in the UK, and to trace the evolutionary forces which shaped the pre-conditions necessary for the emergence of widespread local economic development in the 1980s. The second part of the paper examines the emergence of the partnership concept and tests it in juxtaposition to the regional and local policies which have been spawned by the new enterprise culture of the 1980s. The concluding section of the paper evaluates recent experience of partnership, and attempts to develop an initial critique of the partnership concept and to provide guidance for future development.

2. The Origins and Growth of Local Economic Development

Local economic development is not a new or spatially unique phenomenon in the United Kingdom, neither is it always 'local' in origin or in its eventual application. It has frequently been stimulated by national initiatives taken by government, by private agencies, or by individual firms, as is the case in the development of the Urban Programme, or Business in the Community. Alternatively, a local initiative can result in the development of a wider national or international campaign, this can be demonstrated by the case of RETI or of the Coalfields Communities Campaign. It is important to recognise these key defining relationships at the outset; for it is within the framework of such ideas that local economic development should be judged and its

performance evaluated. Local economic development, if it remains local, may fail to fulfil its wider mission of contributing to the development and dissemination of good practice.

A few brief notes from history are necessary here in order better to understand the context for partnership. Local economic development in the U.K. has a long history. Municipal ownership, whilst not widespread, did occur in a number of areas in the UK in the late 19th century; the most notable example being that of Joseph Chamberlain's Birmingham. This City, a bastion of late 19th century free trade, established a range of municipal enterprises during the 1870s and 1880s (Fraser, 1987). In other localities of the U.K., the Development Commission, which was established in 1909, has a long history of assisting the local economic development of rural areas, often in cooperation with local authorities or in partnership with and the private sector. However, the initial growth of widespread local economic development occurred in the 1920s and 1930s, alongside the origins and early development of national regional policy. These initial developments represented the creation of a local capacity to respond to the economic and employment crises of the Great Depression. A number of areas in the U.K. were designated, in 1934, by national government under early regional policy legislation as Special Areas; whilst, in other areas, local authorities sought similar special industrial powers under private Acts of Parliament. Liverpool City Council was one example of a local authority that sought and obtained such powers.

From the 1920s until the early 1970s a distinguishing feature of much of U.K. local and regional economic policy was that it was essentially nationally determined and centralist in nature. Such policy as existed was applied through the responsible central government departments and through the creation of special agencies such as the Highland and Islands Development Board. The local content of, and influence over, policy was mainly restricted to :

- a) representations from local authorities to national government on questions of eligibility for assistance and the form, coverage and scale of regional policy; and
- b) the local provision of traditional supply side measures which sought primarily to service the needs of capital.

This situation was, in some cases, supplemented by special measures brought-about by particular local circumstances. Such special measures often resulted from a need for assistance due to the occurrence of an "economic emergency", or through the vision of a particular agency, individual or firm. Thus, for example, specific assistance was provided for the rural crofting areas of Scotland through the establishment of the Crofters Commission. A second example was the creation of the Bader-Scott Commonwealth which provided substantial support to the general development of the cooperative movement. A final example can be seen in the case of major industrial closures in coal, steel or textile areas where joint national and local government and private sector task forces were created with the specific brief of alleviating the consequences of major redundancies.

By the 1970s a number of specific factors had emerged:

- a) there had been a progressive withdrawal of traditional regional policy and with it there was an increasing level of concern that inward investment and the creation of branch plants had neither created self-sustaining growth nor long-term employment stability;
- b) new larger and more powerful local authorities were established, especially in the metropolitan areas of England and in Scotland, and these provided a capacity for the further growth of local economic development policy;
- c) the 1972 Local Government Act made finance available which could be used by local authorities in order to provide resources for local economic development;
- d) the provision of local responses to the rapid de-manning of traditional industries,

such as steel, coal, and shipbuilding, had resulted in the creation of special local agencies including British Steel Corporation (Industry);

- e) the progressive opening-up of the U.K. to ideas from other European countries and the provision of finance and support from the European Community, began to stimulate new ideas;
- f) the lead taken by voluntary (often community-based or church) organisations in some areas, and by major firms (such as Pilkingtons and Shell) in others, illustrated the possibility of generating local development partnerships.

All of these factors, and many other local circumstances, allowed for a progressive move towards the generation of a more positive and localist approach towards local economic development. This change in stance resulted in the development, in some areas, of local government-based organisations; whilst in other areas business-based or industry-based agencies were established (Morison, 1987). The late 1970s and early 1980s saw the rapid development or extension of many local economic development initiatives including:

- local authority economic development units;
- local enterprise trusts, such as the St Helen's Trust;
- national and local initiatives, such as Community Industry, sponsored by the National Association of Youth Clubs;
- local enterprise boards;
- rural initiatives, sponsored by the Development Commission, the Highlands and Islands Development Board and the Development Board for Rural Wales;
- urban programme-based initiatives;
- European Community supported initiatives operating under the Regional and Social Funds;
- special agencies including BSC (Industry) and later programmes for coal and railway engineering closure areas;

In all of these activities the initial distinguishing feature was that they tended, in many cases, to concentrate on 'servicing for capital' (Duncan and Goodwin, 1985) activities and upon the provision of training or re-training measures. Most of the initiatives were intended to be local complementary activities within the framework provided by a still active regional policy and, at least until the late 1970s, a residual, if low, positive growth in the national economy. This is not to deny that in some local areas the economic situation had already deteriorated to a extent not experienced more generally until the early 1980s. Some local areas had, since the 1960s, been locked into a downward spiral of economic, social and physical decline. Many of the old coal, steel, shipbuilding and remoter rural areas had by the mid 1970s already experienced a substantial decline. The important point to note is that even these areas gained some benefit from the general economic growth which existed during the 1960s and early 1970s and from progressive extensions to regional policy. Such a situation has not obtained during the more general social and economic malaise of the 1980s. The conclusions that can be drawn from looking at this history of the period up to 1979 are:

- 1) There was a progressive shrinkage of, and absolute decline in, traditional national regional policy. At one time an unemployment level of 4.5% ensured the designation of an area (McCrone, 1969); whilst, by the early 1980s, almost the whole country would have been eligible under such a criterion. This led to the growth of a localist response to the crisis of economic restructuring (Cooke, 1986).
- 2) there was a move away from the redistribution of a large supposed pool of inward investment (from within the U.K. and from overseas) into problem areas, and a growth in interest in the stimulation of indigenous development.
- 3) There was a move away from policies which were orientated towards meeting the needs of traditional large firms; new policies emerged which emphasised and attempted to meet the requirements of community-based firms, co-operatives and

small and medium enterprises.

- 4) The accelerating pace of technical and organisational change led to the demise of policies dominated by and orientated towards manufacturing. These policies were progressively replaced by a concern for the support of the service sector and the emergence of 'alternative' activities (Daniels and Thrift, 1986).
- 5) A fragmentation of responsibility for economic policy occurred. Whilst, at one time, there had been a considerable level of centralised control over the regional or local network for policy delivery. By the late 1970s, a fragmentation of responsibility had occurred and there was a general withdrawal of national government from an active spatial economic policy which had as its primary aim the generation or redistribution of national economic growth.
- 6) There was a move away from local economic policies which attempted to fill the gaps in the provision of national regional policy, and a move towards the generation of freestanding local economic policies. This movement coincided with successive reductions made to the coverage of the areas assisted under national regional policy (Duncan and Goodwin, 1988).

3. The Evolution of Partnership

These points from history, and the conclusions that can be reached regarding the conditions and experience of the 1970s, allow us to turn to the 1980s and the emergence of:

- a) local economic development as a mainstream activity within the local public sector; and
- b) the involvement and active participation of the private sector in the new enterprise economics and culture favoured and supported by the Thatcher government.

In 1979, when the present government came to office, the local economic development system was typified by :

- a) rapidly growing and maturing public sector initiatives;
- b) selective intervention by the private sector.
- c) other voluntary activities and initiatives.

The three sectors involved in these activities represent the range of interests seen by the OECD (1987) as necessary for the creation of partnership.

It is interesting to note that, whilst there had been a number of limited attempts at co-operation between the three sectors, and that some partnerships had emerged, each of the sectors tended to follow a specific and individual programme of action. Although links had always existed between the public sector and private capital, often through the public sector taking a lead in investment, these links were often tenuous. The so called economic miracle of the M4 high technology corridor was not, and is not, a creation of the private sector. In reality it was essentially a public sector, defence-led, research and developed initiative (Boddy and Lovering, 1986). However, what was new in the post 1979 new enterprise culture was:

- a) a deliberate attempt to create the conditions for maximising private investment with the input of a minimum level of public finance;
- b) the introduction of progressive restrictions upon the financial base and legal powers of local government;
- c) the progressive rolling back of the, so called, "dead hand" of state intervention;
- d) the acceleration of industrial closures, de-manning and the rapid spread of unemployment as recession deepened and central government withdrew from local and regional economic development policy.

The central philosophical foundation of the new enterprise culture was that the development of enterprise could only be brought-about through creating the preconditions under which the private sector could invest and grow, and that comparative local disadvantage was best overcome through even greater relaxations on the controls exerted by the state over such private activity. This philosophy was put into practice in 1980 with the designation of the first Enterprise Zones. The first nine Zones were declared in 1981, with an additional designation in 1982, eleven more in 1983 and two more in 1984. By 1987 twenty three Enterprise Zones were in operation in England, Wales and Scotland and two in Northern Ireland and these, with minor amendments to their precise operations, have continued to the current day. The intention in designating Enterprise Zones was, as stated in the government consultation paper of 1980, to:

"test as an experiment, and on a few sites, how far industrial and commercial activity can be encouraged by the removal of certain fiscal burdens and by the removal or streamlined administration of certain statutory or administrative controls".

This was to occur through:

- 1) local rate (tax) exemptions;
- 2) capital allowances of 100% in the year of expenditure;
- 3) exemption from the development land tax (abolished in 1985);
- 4) exemption from industrial training board levies;
- 5) the creation of a simplified planning regime;
- 6) speedier administration;
- 7) custom facilities were provided;
- 8) a reduction in statistical requirements;
- 9) the relaxation of Industrial Development Certificate controls (abolished 1981).

Some of these favourable conditions were more important on paper than in reality, as in the case of the provision of customs facilities; whilst others became generally available throughout the UK, as in the case of the abolition of IDC controls. In essence, the Enterprise Zones became non-plan zones which benefit from local tax and capital allowance concessions.

The Enterprise Zones were followed by the Urban Development Corporations. The first UDC's to be designated were those for the London Docklands and Merseyside (in 1981), with a further six UDC's being declared in 1986 and four more in 1987 and 1988. The UDC's removed, even further, planning and other restrictions which normally operate in a local area and, additionally, offered a wide ranging financial package including grants and tax incentives. Grants and other financial assistance were made available under the Urban Development Grant and through a wide variety of other measures available under national industrial and regional policies and other legislation.

All of this was seen, by central government, as a basis for public and private partnership. Not everyone would agree. Indeed, there are many critics who point to Enterprise Zones and UDC's as a means of allowing the private sector development industry to determine its own operational pathways, and of subsidising private sector property development through public funds. This process has been described by some authors as "restructuring for capital" (Duncan and Goodwin, 1985).

An alternative view of public-private partnership is that adopted by local authorities. These organisations, often short of funds and legally denied an ability to use their assets to support the actions that they wish to take, frequently point to the achievements of enterprise boards, and other attempts at creating development agencies, as an alternative way of working between the two sectors. Some of the enterprise boards were created and supported by metropolitan county authorities, which were abolished in

1986. Amongst the boards which have been created are the:

West Midlands Enterprise Board	(Metropolitan county)
Merseyside Enterprise Board	(Metropolitan county)
Yorkshire Enterprise Limited	(Metropolitan county)
Greater London Enterprise Board	(Greater London Council)
Derbyshire Enterprise Board	(Shire county)
Lancashire Enterprise Limited	(Shire county)

These boards were created by and through local government in order mainly to bridge the funding gap which often exists between the conventional financial institutions and firms. To this extent they aimed to fill a gap in the provision of private sector funding, but in a novel and innovative way.

Many other local or local authority based schemes exist. Some local enterprise trusts and agencies (now numbering over 300) are local partnerships set-up by firms, local authorities and other organisations who are interested in stimulating local economic development. The voluntary sector, often at the leading edge of new initiatives, has played, plays and continues to play a major role in many areas. In all of these cases the central point of emphasis is upon attempting to persuade the private sector to co-operate with local government and the voluntary sector in the creation of locally-based and socially-orientated forms of public-private partnership (Business in the Community, 1988).

This form of partnership, stimulated by the enterprise boards and other community-based responses, can be classified as one where "restructuring for labour" is the central point of emphasis and action.

The aim of the third section of this paper has been to distinguish between the three

major approaches to local and regional economic development. They are in Duncan and Goodwin's (1985) words:

- "servicing for capital", the traditional approach which has generally supported conventional modes of economic restructuring;
- "restructuring for capital," the new enterprise culture; approach;
- "restructuring for Labour", an alternative approach frequently associated with local socialist administrations.

Although all of these initiatives can be classified as attempts to create partnership, some are more responsive and pro-active in nature. A central theme in many of the attempts has been what Moore and Pierre (1988) refer to as the "quasi-privatisation of policy responsibility".

4. Evaluation and Conclusions

The final section of this paper now attempts to move towards an evaluation of the second and third modes of partnership. Given that the traditional mode of "servicing for capital" was often simply the result of the coincidence of independent actions, and was not generally based upon any prior notion of creating partnership, it is not considered here.

At the outset it has to be said that it is difficult to evaluate any local economic initiative in the U.K. due to a deteriorating situation in terms of the provision of official statistics. The abolition of the Greater London Council and metropolitan county councils has exacerbated this problem because they often compiled such data; one of the general themes of the new enterprise culture is one which emphasises freedom from bureaucratic interference. It is also too soon to evaluate many of the schemes.

However, researchers are fortunate in having available to them a recent report on Enterprise Zones and some information on the activities of Enterprise Boards. Unfortunately there is, as yet, no detailed or comprehensive evaluation of the UDC's or of the even more recent Simplified Planning Zones. Nor is there available a fully comprehensive study of the operations of local enterprise agencies. What is available are the results of a few individual pieces of research on the London Docklands UDC; the original experiment which led to subsequent designations, and some information in individual UDC's.

Enterprise Zones have been evaluated in a detailed study of their property and employment performance. In summary, the major findings of this study are:

- a) that the Enterprise Zones have operated on both the demand and supply sides of the property market, and that this and has encouraged the development of property in hitherto deprived or neglected areas.
- b) that the Enterprise Zones have attracted substantial private capital (although in total the amount is not known); the net public cost of the Enterprise Zones has been estimated at £297 million from 1981-1986.
- c) that 63,300 jobs are located in Enterprise Zones, most having being transferred from elsewhere; about 13,000 net additional jobs have been created (7,000 permanent direct jobs, 3,000 construction jobs and 3,000 through the multiplier).
- d) that the Public cost per job was in the range from £23,000 to £30,000. (PA Cambridge Economic Consultants, 1987).

All of this evidence is open to debate, because, little is known about the precise scale of private investment. The overall conclusion reached by the study is that Enterprise Zones have been successful in stimulating property and land development. Whilst such development has been beneficial to investors and developers, the job creation effect may be more limited. In this instance the private partners can be seen to have gained

most.

The evidence on UDC's is far more fragmented. For example, in 1988 the Black Country UDC planned to spend some £13 million upon development and expected to attract some £40 million in private investment; a gearing ratio of 3:1. Job creation is, in total, likely to be some 1,000; a public cost per job of around £13,000. The London Docklands Development Corporation is said, by Klausner (1987) to have spent £216 million between 1981 and 1986, and the LDDC itself claims to have attracted more than £800 million of private investment; a gearing ratio of 4:1. The gross employment creation effect of the LDDC is said to be in the region of 5,000 jobs at a public cost per job of some £43,000. In most UDC schemes it is possible to obtain Urban Development Grants; the overall gearing ratio target for UDG's is 4.5:1 and the net public cost per job target is £15,000. (Public Sector Management Research Unit, 1988).

From this evidence two main conclusions emerge:

- a) The main gainers in many of the schemes would appear to be the private sector partners; they have gained both from the rolling-back of the restraints previously exercised by the central and local state, and from the creation of new interventionist measures designed to allow them to generate economic benefits.
- b) Jobs have been created, but at a relatively high cost per job and, in the case of the Enterprise Zones, at a relatively low gearing ratio between public and private funds.

Looking briefly at the performance of Enterprise Boards a different pattern emerges. The public to private gearing of investment in the case of the West Midlands Enterprise Board, is 1:4 and cost per job to the public sector is less than £3000 for each job safeguarded or created (Fisher, 1986). Other Enterprise Boards have been less successful but, nevertheless, they have assisted in the restructuring of clearly targeted

sectors, and have generally made good use of public money. In relation to the case of Enterprise Boards two basic conclusions can be drawn:

- a) that employment safe-guarding or creation has been at the forefront of the policy agenda.
- b) that public pump-priming investment has been successful in attracting private investment, even when private firms have been required to comply with the criteria specified by the boards in order to achieve their social objectives.

From this brief discussion of the evidence which is available, an overall initial conclusion can be reached, which is that the concept of partnership in the U.K. has, in practice been interpreted in two ways. Not surprisingly, national government has seen the key imperative as reducing controls on the spirit of entrepreneurship; whilst locally-generated partnerships have emphasised job creation and social improvement.

These two organising concepts reflect the different ideologies upon which partnerships can be based. In addition, as Haughton and Whitney (1989) have noted, the seeming contradictions in the purposes and actions of partnership reflect the problems inherent to virtually all partnerships. These problems are:

- the presence of differing objectives;
- the existence of different levels and patterns of flexibility;
- the occurrence and use of different timescales;
- the existence of different levels of territorial awareness and responsibilities;
- the occurrence and incidence of different levels of power.

Addressing these issues on a case-by-case basis runs the risk of dissipating much of the energy of a partnership.

Public-private partnership in the UK can, therefore, be seen to have had two purposes and to have faced a series of problems. In one case it is a property development-supporting and investment-satisfying mechanism which is aimed at promoting "restructuring for capital"; whilst, in the other case, it is a job and community-supporting "restructuring for labour". The challenge now for policy makers and the community at local level is to merge the two approaches in order to maximise the employment gains which can be obtained from the first approach, and to ensure the long-term financing of the second. However, in the present climate of policy, this is unlikely to be achieved in the near future.

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