

### 1 In the past year, several big-name contractors have said they will no longer bid for PPP projects, due to the fixed prices involved and the risks passed on to them. Could this signal the beginning of the end for PPPs?

'Dead' is a strong word, but the PPP model is not blossoming. In fact, the number of projects has been falling in Europe since the 2007-08 financial crisis. PPP volumes are stagnating at 0.1 percent of global GDP and only 2-3 percent of total infrastructure spending.

There are exceptions where PPPs do well, at least for some time, such as in Australia, in several European countries and some emerging countries like India. We can certainly find useful projects out there. Good guidance is available from international institutions, but a range of favourable circumstances need to coincide for PPPs to work well in practice, and they don't easily last for very long.

In future, the private sector will be important in addressing the world's infrastructure needs, in tackling climate change and meeting UN Sustainable Development Goals, but PPPs will keep playing only a minor role.

### 2 Has competition in the PPP market given the public sector the upper hand when it comes to risk allocation?

This would be an odd argument since competition should be a key driver for efficiency gains and a key reason for private sector involvement. One cannot expect the public sector to be negligent of past experiences and, vice versa, it is normal that private investors abstain from assets that are deemed unattractive.

These days, much capital is flowing to areas where cashflows are thought to be better captured, such as renewable energy, digital infrastructure and student accommodation. Long-term investors increasingly learn about the two sides of the same coin. They can't only have comfortable state guarantees (such as stable availability payments) without the flipside of regulatory and political uncertainty. The public will insist on more transparency and 'social purpose' - even more so from private owners and operators of public infrastructure.

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### 3 Are there risks that should revert to the public sector?

This depends on the specific situation. The traditional PPP theory is insufficient, and there are some significant structural issues. In difficult times, 'micro risks' borne by the private side can become systemic - for example through bankruptcies - and difficult to outsource. Also, the public side is often much less willing or able to manage macro risks than hoped. PPPs are delicate return- and risk-sharing arrangements. Even when a public-private deal is 'right' today, it may not look so tomorrow, given changes in technology, regulation, consumer demand and other market dynamics. When 'excess profits' materialise or highly indebted projects hit the public budgets, we see a backlash from the media and voters.

### 4 Are there lessons to be learned from PFI's demise in the UK?

There are key lessons indeed. In 2008, the UK government still called the PFI model "a reference around the world". In 2010, it was substituted by PF2, which never took off. Lately, it has become a focus for the criticism to which PPPs have been subjected. Politicians are still paying lip service to private finance in infrastructure, but their actions are poor. Once trust has gone it is difficult to rebuild.

The socio-political pendulum has swung back markedly towards tougher regulation, higher public investment and greater interventionism, if not nationalisation - arguably in some other countries as well. Additionally, in the UK, political instability and the current constitutional crisis are making international investors more reluctant to invest in the country. The government could try to tap more capital from domestic pension funds and insurers, most of which have been late into the infrastructure game, in forms other than PPPs. One attempt is to re-launch a regulated asset base model to other sectors but there is little clarity. ■

Answers have been edited for brevity and clarity